

Notes and Brief Reports

Expenditures for Assistance Payments From State-Local Funds, 1960-61*

The fiscal effort of the States and localities, taken as a whole, to finance public assistance payments was about the same in the fiscal year 1960-61 as it had been in the preceding year. An exact measure of State-local fiscal support for public assistance is not possible; the rough measure used in this analysis is obtained by relating expenditures from State and local funds for assistance payments for all six programs combined to total personal income.¹

The non-Federal share of assistance payments in 1960-61 for all 50 States and the District of Columbia represented \$4.66 per \$1,000 of personal income—an insignificant increase of 2 cents per \$1,000, or 0.4 percent, from the amount in the preceding year (table 1). Fiscal effort remained virtually unchanged because personal income and expenditures from State and local funds showed about the same percentage increases. Expenditures from State and local funds used to finance public assistance payments rose to \$1.9 billion—an increase for the year of \$106 million or 6.0 percent. Personal income went up by about the same proportion (5.5 percent) or \$19 billion.

Expenditures from State-local funds were higher than in 1959-60 in all programs except old-age assistance. The relative increases ranged from 4.4 percent in aid to the blind to 14.3 percent in aid to the permanently and totally disabled. The largest dollar increases, however, were those of \$53 million in aid to families with dependent children and \$40 million in general assistance, which is financed without Federal participation. Expenditures from State and local funds for medical assistance for the aged, the program that went into effect on October

1, 1960, amounted to \$22 million and account for part of the reduction in old-age assistance, as will be explained later. Table 2 shows expenditures for assistance payments from State and local funds for

TABLE 1.—Expenditures for public assistance payments from State and local funds in relation to personal income and amount expended per inhabitant, by State, 1960-61¹

State	Percentage change in—		Expenditures from State and local funds for assistance			Per inhabitant, 1960-61
	Personal income, 1960 from 1959	Expenditures from State and local funds for assistance, 1960-61 from 1959-60	Per \$1,000 of personal income			
			1959-60	1960-61	Percentage change, 1960-61 from 1959-60	
United States ²	+5.5	+5.9	\$4.64	\$4.66	+0.4	\$10.38
Alabama.....	+5.0	+4.6	3.86	3.84	-.5	5.69
Alaska.....	+11.7	+12.7	2.90	2.93	+1.0	8.92
Arizona.....	+9.4	+8.1	3.04	3.01	-1.0	5.78
Arkansas.....	+3.2	+3.1	4.73	4.72	-.2	6.57
California.....	+7.0	+6.5	6.48	6.45	-.5	17.51
Colorado.....	+8.3	+1	11.98	11.08	-7.5	25.20
Connecticut ³	+6.0	+3.9	4.30	4.22	-1.9	11.89
Delaware.....	+5.7	+5.9	1.65	1.66	+6	5.06
Dist. of Col.....	+3.5	+16.6	2.80	3.15	+12.5	9.64
Florida ³	+5.1	+1.5	2.48	2.40	-3.2	4.53
Georgia.....	+5.4	+1.1	3.66	3.52	-3.8	5.73
Hawaii.....	+9.1	+2.0	2.66	2.48	-6.8	5.94
Idaho ⁴	+3.1	+20.2	3.10	3.61	+16.5	6.58
Illinois.....	+4.2	+7.2	5.33	5.48	+2.8	14.36
Indiana.....	+5.8	+4.3	2.22	2.19	-1.4	4.74
Iowa.....	+1.4	+12.9	4.31	4.80	+11.4	9.48
Kansas.....	+6.2	-1.9	4.88	4.51	-7.6	9.33
Kentucky.....	+4.2	+18.9	3.90	3.43	+14.3	5.42
Louisiana.....	+3.1	+4.0	9.21	9.29	+1.9	14.96
Maine.....	+7.7	+9	4.51	4.22	-6.4	8.12
Maryland.....	+5.9	+12.3	1.46	1.54	+5.5	3.69
Massachusetts.....	+6.4	-2.7	7.31	6.69	-8.5	17.03
Michigan.....	+5.7	+11.1	5.49	5.77	+5.1	13.34
Minnesota.....	+6.7	+3.3	7.02	6.80	-3.1	13.94
Mississippi.....	+2.6	+19.9	3.58	4.18	+16.8	5.05
Missouri.....	+3.7	+8	5.04	4.90	-2.8	10.83
Montana.....	+2.7	-1.5	5.60	5.37	-4.1	10.70
Nebraska.....	+6.8	+4.3	2.75	2.69	-2.2	5.72
Nevada.....	+9.3	+37.8	3.37	4.24	+25.8	11.86
New Hampshire.....	+7.0	+9.9	3.25	3.33	+2.5	7.04
New Jersey.....	+6.2	+14.2	2.58	2.77	+7.4	7.35
New Mexico.....	+2.0	+20.3	3.70	4.36	+17.8	7.76
New York.....	+6.4	+3.2	4.68	4.54	-3.0	12.82
North Carolina.....	+6.8	+8.7	2.61	2.66	+1.9	4.25
North Dakota.....	+19.1	-1.5	6.34	5.24	-17.4	9.98
Ohio.....	+4.9	+10.9	4.45	4.70	+5.6	10.92
Oklahoma.....	+4.8	+2.5	11.29	11.04	-2.2	20.76
Oregon.....	+5.0	+21.3	4.63	5.34	+15.3	12.03
Pennsylvania.....	+4.7	-2	4.08	3.89	-4.7	8.83
Rhode Island.....	+3.4	+6.9	5.81	6.01	+3.4	13.44
South Carolina.....	+6.6	+3.8	2.08	2.03	-2.4	2.89
South Dakota.....	+28.3	+2.7	4.73	3.79	-19.9	7.32
Tennessee.....	+4.3	+9	2.32	2.24	-3.4	3.50
Texas ²	+3.6	+4	2.66	2.58	-3.0	4.99
Utah.....	+6.7	+9.2	4.17	4.26	+2.2	8.10
Vermont ³	+6.6	+2.9	3.47	3.34	-3.7	6.35
Virginia.....	+5.3	+19.3	.88	1.00	+13.6	1.90
Washington.....	+4.9	+19.1	8.61	9.78	+13.6	22.85
West Virginia.....	+2.9	+8.7	2.99	3.16	+5.7	5.40
Wisconsin.....	+4.5	+10.9	4.40	4.67	+6.1	10.03
Wyoming.....	+6.2	+7.7	3.77	3.82	+1.3	8.62

* Prepared by Frank J. Hanmer, Division of Program Statistics and Analysis, Bureau of Family Services, Welfare Administration. Shirley D. Fairley assisted in the preparation of the note.

¹ Expenditures for payments from State and local funds for old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and general assistance for the fiscal year 1959-60 and for these categories and medical assistance for the aged for 1960-61 are related respectively to personal income for the calendar years 1959 and 1960. Guam, Puerto Rico, and the Virgin Islands are excluded from this analysis because personal income data for these jurisdictions are not available.

¹ Expenditures are for fiscal years 1959-60 and 1960-61 and exclude amounts spent for administration; they are related respectively to personal income for calendar years 1959 and 1960.

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

³ Data for general assistance expenditures estimated.

⁴ Reporting of general assistance expenditures incomplete.

each of the categories of assistance during 1960-61 and the change from expenditures a year earlier.

Caseload Changes

The year 1960-61 was marked by a recession in the winter months, with the result that caseloads rose sharply, particularly in aid to families with dependent children and general assistance—the programs that most quickly reflect the effects of changes in economic conditions. The average monthly number of persons aided during the year increased by almost 165,000 (5.6 percent) in aid to families with dependent children and by 97,000 (8.8 percent) in general assistance. These increases more than offset the sizable drop in the number of old-age assistance recipients (reflecting in part transfers to the new program of medical assistance for the aged) and the small decline in the number receiving aid to the blind. The count of all persons receiving public assistance rose from less than 6.8 million in August 1960 to a peak for the year of more than 7.6 million in March 1961.

Effect of Amendments to the Social Security Act

The recession would have resulted in an even larger increase in the amount expended from State and local funds had it not been for the 1960 and 1961 amendments to the Social Security Act. These

TABLE 2.—Expenditures for assistance payments from State and local funds, 1960-61, and change from 1959-60

Program	Amount, 1960-61	Change, 1960-61 from 1959-60	
		Amount	Percent
Total.....	\$1,879,713	+\$105,626	+6.0
OAA.....	752,864	-27,811	-3.6
MAA.....	21,543	+21,543	-----
AFDC.....	457,485	+52,922	+13.1
AB.....	48,897	+2,043	+4.4
APTD.....	133,449	+16,744	+14.3
GA.....	465,474	+40,185	+9.4

amendments increased Federal participation in payments for medical care on behalf of the aged and broadened the scope of the program of aid to families with dependent children.

Effective October 1, 1960, the 1960 amendments established a new Federal program of medical assistance for the aged and also raised the amount of

Federal participation in old-age assistance payments in States that made direct agency payments to the suppliers of medical goods and services (vendor payments). The additional Federal funds for old-age assistance released State and local funds that the States could use in many ways. They could, for example, raise assistance payments in old-age assistance or any other program, they could initiate a program of medical assistance for the aged, or they could offset part of the higher outlay from State and local funds resulting from larger caseloads in general assistance and the programs for dependent children and the disabled. For the last 3 quarters of 1960-61, the States received a total of \$83.8 million in additional Federal funds as a result of the 1960 amendments—\$62.4 million for old-age assistance and \$21.4 million for medical assistance for the aged.

The first payments for medical assistance for the aged were made in November 1960 in four States. By June 1961, nine States were paying medical bills on behalf of 46,000 persons—about three-fourths of them in New York and Massachusetts. Most of the 34,000 recipients in these two States were, however, persons in medical institutions or nursing homes who had been transferred from the old-age assistance program. High-cost cases, such as those in nursing homes, were transferred from old-age assistance to medical assistance for the aged because in these States the rate of Federal participation in large payments is higher in medical assistance for the aged than in old-age assistance. In medical assistance for the aged, Federal funds are based on the total amount of medical bills paid and are not limited by a maximum average amount per recipient as in old-age assistance. Thus, the State and local share of payments for the cases transferred is smaller in medical assistance for the aged than in old-age assistance. These transfers account for part of the reduction in the non-Federal share of old-age assistance.

The use made by the States of the additional Federal funds received for old-age assistance has been analyzed for the first 12 months of operation under the 1960 amendments—October 1960 through September 1961. By the end of that period, 11 States had initiated programs of medical assistance for the aged, and about 45 percent of the increase in Federal funds for old-age assistance had been spent on old-age assistance and medical assistance for the aged. Of 28 States that spent less than 100 percent of the increase in Federal funds on old-age

assistance and medical assistance for the aged, 25 used the portion not spent on the aged to increase expenditures in the other public assistance programs. Only three States realized a substantial saving in State and local funds.

Another amendment to the Social Security Act, enacted and effective in May 1961, permits the States to extend their programs of aid to families with dependent children to include children of unemployed parents. The net effect on total 1960-61 expenditures from State and local funds, however, was undoubtedly negligible. The provision was in effect for only the last 2 months of the fiscal year and in only a few States, and most of the recipients were transferred from general assistance.

Effect of Higher Cost Standards

One-third of the States raised cost standards (the quantity, quality, and cost of the items included in the budget for recipients) in one or more programs during 1960-61. The extent to which these changes actually raised the level of assistance or merely compensated in whole or in part for the continued rise in living costs is unknown. Seven States raised their maximums on individual monthly payments in old-age assistance, and a smaller number raised maximums in each of the other programs. As a result of these increases in assistance payments, expenditures from State-local funds and fiscal effort were both higher than they would otherwise have been.

National and Regional Changes in Personal Income

Personal income totaled almost \$400 billion in the calendar year 1960—\$19 billion or 5.5 percent more than in the preceding calendar year. The business decline did not manifest itself until late in 1960 and reached its low point in the third quarter of the fiscal year 1960-61. The 1960-61 increase (\$14 billion) in personal income reflects this fact; it was \$5 billion less than the rise in the calendar year 1960. Personal income data for the year 1960 are used in this analysis because such data are available for individual States only on a calendar-year basis.

The 1960-61 drop in the manufacture of durable

goods had its greatest impact on the economies of the New England, Mideast, and Great Lakes regions. In the first quarter of 1961, payrolls in manufacturing were \$5 billion (at annual rates) less than in the corresponding quarter a year earlier.

In contrast to the recession in manufacturing, substantial increases occurred in some other major components of personal income. The largest relative increase in the calendar year 1960 in any of these components of personal income occurred in disbursements to individuals by Federal, State, and local governments, which went up 7 percent or \$5 billion. Government disbursements rose by about the same proportion in the various geographic regions except the Far West, where they increased 10 percent and accounted for one-third of the gain in income for that region. In the Plains States, especially Kansas, Minnesota, Nebraska, North Dakota, and South Dakota, increases in farm income also contributed importantly to the rise in total personal income.

State Changes in Personal Income and Assistance Expenditures

Underlying the national changes in personal income and expenditures from State and local funds were shifts in the individual States. Personal income rose in 1960 in all States, with increases ranging from 2.5 percent to 7.4 percent in 41 of the 51 jurisdictions. The largest relative increase occurred in South Dakota, where farm income more than doubled and pushed up aggregate State income by more than one-fourth. North Dakota had the next largest rate of gain, which reflected the State's agricultural boom of 1960. Alaska, Hawaii, Arizona, and Nevada had greater-than-average increases, attributable to gains throughout most of their economies. The smallest increases (less than 2.5 percent) occurred in New Mexico and Iowa, where farm income declined sharply.

Expenditures for assistance payments from State and local funds went up in 1960-61 in all but five States. Shifts up or down were relatively slight (less than 5 percent) in about half the States, although the range was from a decline of 2.7 percent in Massachusetts to a rise of 37.8 percent in Nevada. Nevada's large increase resulted from the State's revised standards of assistance, which increased payments in aid to the blind, old-age assistance, and aid to families with dependent children.

Expenditures rose at least 15 percent in nine States; a 15-percent rise in personal income occurred in only two States (table 3).

Changes in Fiscal Effort

The net effect of changes in personal income and in expenditures from State-local funds was that the States were almost equally divided into those with increases in effort for public assistance from 1959-60 to 1960-61 and those with decreases. In the 26 States with decreases in effort, the decline was less than 5 percent in about 3 out of 4 and ranged from as little as 0.2 percent in Arkansas to 19.9 percent in South Dakota. South Dakota's large decline reflects the abnormally high increase in personal income, principally farm income. Fiscal effort declined in 21 States because the percentage increase was larger for personal income than for expenditures from State and local funds and in five States² because an increase in personal income was accompanied by a drop in the non-Federal share of assistance payments.

The increased fiscal effort in 25 States resulted from a percentage rise in expenditures from State-local funds that exceeded the rise in personal income. The percentage increase varied from a low of 0.6 percent in Delaware to a high of 25.8 percent in Nevada. An upward shift of more than 5.0 percent occurred in about 3 out of 4 States with increases. The States are distributed in the following tabulation according to the percentage change in fiscal effort from 1959-60 to 1960-61.

Percentage change	Increase	Decrease
Total number of States.....	25	26
0-2.4.....	6	9
2.5-4.9.....	3	10
5.0-9.9.....	6	5
10.0-14.9.....	5	-----
15.0 or more.....	5	2

Variations in State Effort, 1960-61

The fiscal effort made by the individual States varied widely in 1960-61. Assistance expenditures from State and local funds in Colorado and

Oklahoma, the States ranking highest in fiscal effort, represented \$11.08 and \$11.04 per \$1,000 of personal income, or more than 11 times the \$1.00 outlay in Virginia, the lowest ranking State. Virginia was one of eight States in which the non-Federal share of assistance represented less than \$2.50 out of every \$1,000 in personal income; Colorado and Oklahoma were among nine States where it represented \$5.50 or more. Half the States spent less than Mississippi's \$4.18 per \$1,000 of personal income, and half spent more. The following tabulation shows the distribution of the States according to their expenditures from State-local funds per \$1,000 of personal income.

Amount of fiscal effort	Number of States
Less than \$2.50.....	8
2.50-3.49.....	11
3.50-4.49.....	12
4.50-5.49.....	11
5.50 or more.....	9

To simplify an examination of the factors that affect interstate differences in fiscal effort, total expenditures for assistance payments from State-local funds and personal income in each State have been divided equally among all persons in the State. The resulting statistical measures—the amount expended per inhabitant for assistance from State and local funds and per capita income—make it easier to see relationships between them and assistance expenditures from State-local funds per \$1,000 of personal income. The accompanying chart shows the two measures relating to the non-Federal share of assistance payments and gives the rank of the States (arrayed from highest to lowest) in per capita income.

Per Capita Expenditures From State-Local Funds

There is a direct relationship between expenditures for assistance from State and local funds when expressed as an amount per inhabitant and as an amount per \$1,000 of personal income. The States with comparatively large per inhabitant expenditures tend also to have relatively high fiscal effort, and those with the lowest expenditures per capita generally also have comparatively low fiscal effort.

The amount expended per inhabitant from State-local funds is determined by the average payment per recipient from State and local funds and the proportion of the population aided (recipient rate). The States can control both factors to a large extent

² Montana, Pennsylvania, Kansas, Massachusetts, and North Dakota.

Expenditures for public assistance from State and local funds, 1960-61

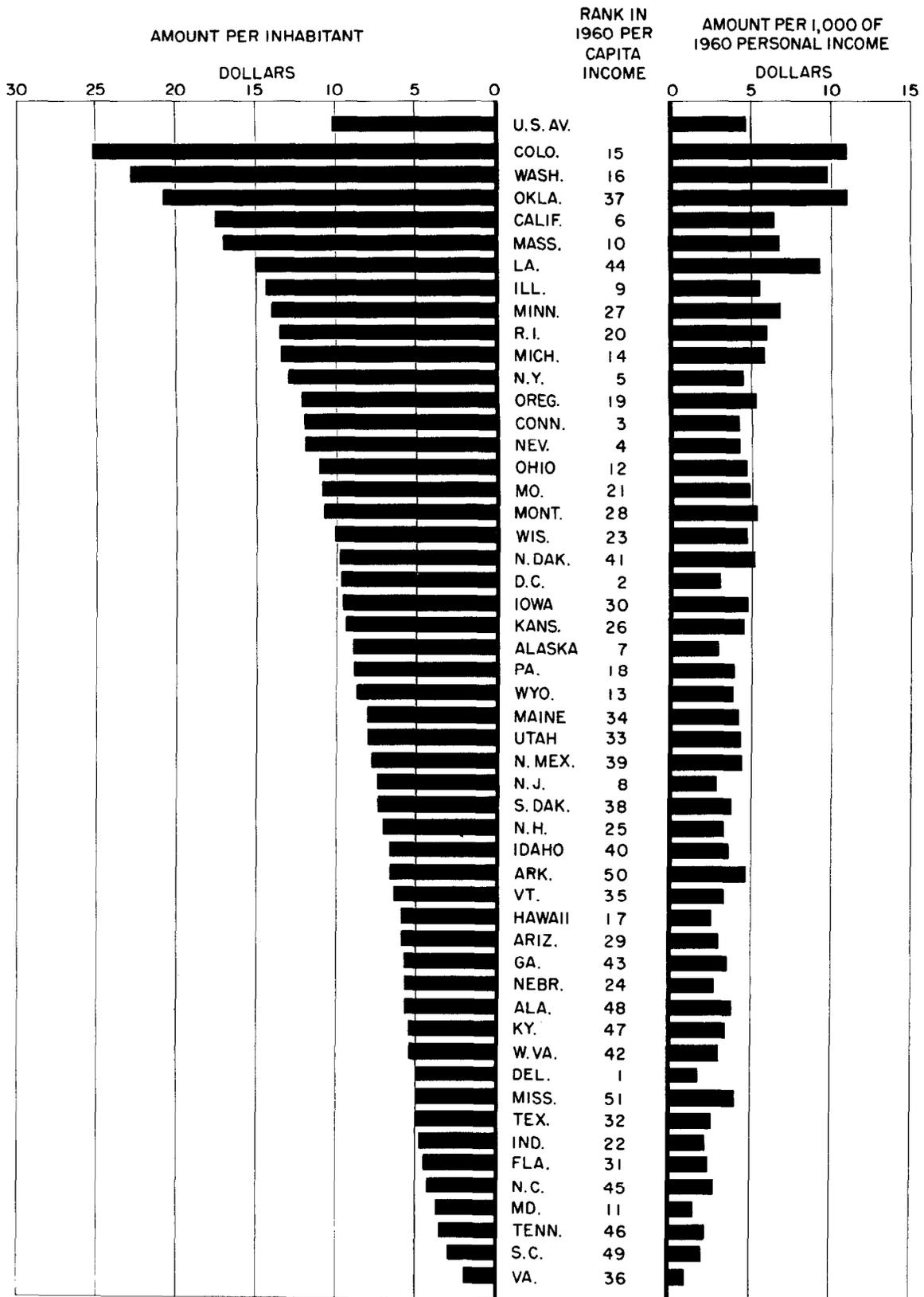


TABLE 3.—Number of States with specified change in personal income and in expenditures for public assistance from State and local funds, 1960-61 from 1959-60

Percentage change	Increase		Decrease	
	Personal income	State and local funds	Personal income	State and local funds
Total number of States.....	51	46		5
0-2.4.....	2	8		4
2.5-4.9.....	18	12		1
5.0-7.4.....	23	4		
7.5-9.9.....	5	6		
10.0-12.4.....	1	4		
12.5-14.9.....		3		
15.0 or more.....	2	9		

because each State defines the scope of its basic assistance program by deciding who will be eligible and the amount of assistance he is to receive. Fluctuations in economic conditions affect caseloads in aid to families with dependent children and general assistance and, to a lesser extent, aid to the permanently and totally disabled. Total expenditures from State and local funds are determined by the amount the State legislature is willing and able to appropriate for public assistance. During recession periods the legislature may be asked for a supplemental appropriation; if it refuses, assistance payments are reduced and the agency has to live within the original appropriation.

In States with higher-than-average per capita income, relatively large assistance expenditures per inhabitant result primarily from high assistance standards, which are reflected in comparatively high average payments. Relatively large expenditures per inhabitant in low-income States, however, occur mainly because a comparatively large proportion of the population receives aid. In contrast, relatively small per capita expenditures in high-income States result primarily from comparatively low recipient rates and in low-income States from relatively low average payments.

Per Capita Income and Fiscal Effort

If all States met need at the same level of living, low-income States would have high fiscal effort and high-income States would have low fiscal effort. The difference in effort would occur for two reasons. First, low-income States have relatively more needy persons than high-income States and therefore would probably have higher expenditures per inhabitant from State and local funds. Second, to raise even the same amount per inhabitant from

State-local funds as that raised by a high-income State, a low-income State would have to use a larger proportion of its smaller per capita income. An expenditure of \$12 per inhabitant, for example, when related to each \$1,000 of personal income amounts to \$3.33 in a State with a per capita income of \$3,600 but to \$10.00 in a State with income of \$1,200 per capita.

Actually, there does not seem to be much relationship between per capita income and fiscal effort, as is evident from the following tabulation.

Fiscal effort	Per capita income		
	High	Middle	Low
High.....	7	6	4
Middle.....	5	3	9
Low.....	5	8	4

The low-income States generally have relatively low average monthly payments and comparatively high recipient rates, with the result that their fiscal effort is in the middle range in nine of them and in the upper third in only four. In contrast, the high-income States generally have relatively high average monthly payments; fiscal effort is comparatively high in seven and in the middle range in five. A few of the high-income States have comparatively high recipient rates for old-age assistance, and one of them has a high recipient rate for aid to families with dependent children.

A high-income State and a low-income State, making approximately the same fiscal effort, will differ significantly in the amount spent per inhabitant. Thus a low-income State, Mississippi, with fiscal effort (\$4.18 per \$1,000 of personal income) almost equal to that of the high-income State, Connecticut (\$4.22 per \$1,000), had only \$5.05 per capita to spend while Connecticut had \$11.89—more than twice as much.

Trust Fund Operations, 1962*

The three "social security" trust funds account for what is by far the largest portion of the total assets of all the social insurance and related trust funds managed in whole or in part by the Treasury Department. These three funds, established by

* Prepared by Sophie R. Dales, Division of Research and Statistics.