

# Notes and Brief Reports

## Federal Grants to State and Local Governments, 1948-49

Federal aid to State and local governments takes a variety of forms, of which grants are of the greatest financial importance. Regular Federal grants to States and to local governments have tended to increase almost continuously over the years. Total grants, both regular and emergency, have gone up substantially since the fiscal year 1935-36. In 1948-49, they amounted to \$1.8 billion, as compared with \$1.5 billion in the fiscal year 1947-48, \$1.2 billion in 1946-47, and \$1.0 billion in 1939-40 (table 1). Grants have been greater in recent years for all major functions except, of course, emergency relief. Total grants in 1948-49 were about twice the prewar and wartime levels.

The scope of the grant data presented in the accompanying tables has been widened this year to include direct grants to local governments for such purposes as public housing, community facilities, and maintenance and operation of schools in areas congested as a result of wartime development. In previous years, only grants from the Federal Government to the States have been included. Grants to local governments in 1948-49 amounted to some \$48 million or less than 3 percent of the total for the year.

A small part of the grants for some programs—school lunch programs and hospital construction, for example—are made to private nonprofit agencies or institutions as well as to agencies of State and local governments. When the programs are operated primarily through agencies of government, they have been included here. On the other hand, when the grants go primarily to nongovernmental agencies and institutions, as in the case of veterans' re-use housing, they have been excluded from these tables. The distinction is in some cases difficult to make because of the lack of sufficiently detailed data and because the situation may change from year to year.

Similarly, we have attempted to

confine consideration to grants for Federal-State or Federal-local programs. Here again, the line cannot always be drawn clearly, and the question of the intent of the grant may require examination. Grants for the reimbursement of administrative expenses for veterans' unemployment and self-employment allowances and for supervision of on-the-job-training have been excluded because these programs are administered by the State employment security agencies for the Federal Government. The administration grants constitute full reimbursement for expenses incurred by the State in performing these functions.

Grants-in-kind—for education of the blind, for part of the school lunch grants, and for removal of surplus agricultural commodities—and emergency grants have been included when

they meet the criteria set up.

Grants for public assistance payments and administration, \$928 million in 1948-49, constituted 51 percent of total grants in that year. These grants have grown steadily and substantially each year since their inception, although in 1948-49 they amounted to but one-half of the emergency relief grants made in 1934-35 (table 1).

Grants for administration of unemployment insurance and employment service have also grown relatively steadily. There was an apparent decline in amount during the war when no grants for employment service administration were made because the State employment services were being federally operated during those years. With the return of the employment offices to State administration in November 1946, the annual increases in these grants were resumed. They currently add up to more than twice their prewar amount.

Table 1.—Federal grants to State and local governments, by purpose, fiscal years 1934-35 through 1948-49

[In thousands]

Fiscal year	Total	Assistance payments and administration <sup>1</sup>	Emergency relief <sup>2</sup>	Employment security administration <sup>3</sup>	Health services <sup>4</sup>	Other welfare services <sup>5</sup>	Educational <sup>6</sup>	All other <sup>7</sup>
1934-35	\$2,196,577		\$1,857,490	\$1,257		\$1,516	\$12,722	\$323,592
1935-36	995,138	\$28,424	476,513	3,068	\$4,389	2,117	13,322	467,305
1936-37	808,668	143,934	1,722	11,484	12,758	3,089	15,651	620,030
1937-38	800,466	216,074	484	45,939	15,329	3,655	24,625	494,359
1938-39	1,029,557	246,898		62,858	14,754	3,893	25,411	675,743
1939-40	965,239	271,135		61,539	21,873	4,598	25,137	581,001
1940-41	858,591	330,408		65,632	25,870	5,078	25,620	405,984
1941-42	827,478	374,568		74,034	29,057	5,541	25,811	318,467
1942-43	850,995	395,623		36,480	30,396	5,824	26,158	356,514
1943-44	896,926	404,948		35,229	60,223	8,616	25,644	362,272
1944-45	864,905	410,364		33,730	78,555	9,670	25,131	307,544
1945-46	840,098	439,132		54,547	71,169	13,361	25,341	236,559
1946-47	1,187,478	613,831		99,252	63,134	98,757	31,145	281,359
1947-48	1,452,644	718,359		133,610	55,309	91,958	35,813	417,594
1948-49	1,814,751	927,897		140,314	66,646	98,843	36,951	544,100

<sup>1</sup> Old-age assistance, aid to dependent children, and aid to the blind under the Social Security Act.

<sup>2</sup> Federal Emergency Relief Administration grants.

<sup>3</sup> Unemployment insurance administration under the Social Security Act beginning 1935-36; employment service administration, 1934-35 through December 1941 and from Nov. 16, 1946, to date.

<sup>4</sup> Maternal and child health services, services for crippled children, and public health services under the Social Security Act from 1935-36 to date; from inception of the programs to date: venereal disease, tuberculosis, and cancer control, emergency maternity and infant care, mental health, and hospital survey and construction.

<sup>5</sup> Child welfare services under the Social Security Act from 1935-36 to date; vocational rehabilitation and State and Territorial homes for disabled soldiers and sailors from 1934-35 to date; from 1946-47 to date, school lunch program; for 1942-43, community war service day care.

<sup>6</sup> Colleges for agriculture and mechanic arts, vocational education, education of the blind, and State and municipal marine schools from 1934-35 to date; emergency Office of Education grants from 1935-36 to 1940-41; and maintenance and operation of schools in certain areas from 1946-47 to date.

<sup>7</sup> Agricultural experiment stations and extension work from 1934-35 to date and under the Research and Marketing Act of 1946 from 1947-48 to date; forest-fire cooperation from 1934-35 to date and wildlife restoration from 1938-39 to date; supply and distribution of farm labor from 1942-43 to date; removal of surplus agricultural commodities under sec. 32 of the Act of Aug. 24, 1935, from 1935-36 to date; Federal annual contributions to public housing authorities from 1939-40 to date; regular and emergency highway construction from 1934-35 to date; Federal airport program from 1947-48 to date; Public Works Administration grants and liquidation thereof from 1934-35 on; wartime public works, community facilities works, and disaster and emergency relief beginning 1941-42.

Source: *Annual Reports of the Secretary of the Treasury, the Combined Statements of Receipts, Expenditures, and Balances of the United States Government*, and other Treasury reports. Grants for part of the school lunch program for 1946-47 and for the removal of surplus agricultural commodities for 1935-36 through 1946-47, as reported by the Department of Agriculture.

The higher amounts of Federal grants for health, hospital, and welfare programs reflect both the growing number of aided functions and the expansion of existing programs. Health grants were larger in 1944-45 than in 1948-49, however, because of the emergency maternity and infant care program, which reached its peak in the earlier year. Nonemergency health grants have since been broadened to include the functions of mental health, cancer control, hospital survey and planning, and hospital construction. A significant wartime addition to federally aided welfare functions has been the national school lunch program, presently accounting for the great bulk of Federal welfare grants for purposes other than assistance.

Grants for education have increased slightly since the war period as a result of the program for maintenance and operation of schools in war-congested areas. Regular Federal grants for education under permanent statutory authorization have remained at about the same level since 1940-41.

Grants for all other purposes have increased somewhat since the close of World War II but have not achieved the magnitude of the depression years. In 1948-49, they amounted to \$544 million.

Total Federal grants to States and to local governments amounted to \$12.19 per capita in 1948-49 (table 2). When the States are ranked by average 1946-48 per capita income and classified by income group, it becomes apparent that, as State per capita income declines, total grants and grants for most of the major purposes tend to average somewhat higher amounts per capita. In 1948-49, as in most previous years, there was a direct correlation between per capita grants for employment security and per capita income. For assistance payments and administration, other welfare services, education, and, to a lesser extent, health, average per capita grants were highest for the 16 lowest-income States as a group and lowest for the 16 highest-income group of States. Within the income groups, however, there is considerable variation in the per capita grants for all purposes.

Table 2.—Per capita Federal grants to States and localities, by State and purpose, fiscal year 1948-49<sup>1</sup>

States ranked by 1946-48 average per capita income	Average per capita income, 1946-48	Per capita grants						
		Total	Assistance payments and administration <sup>2</sup>	Employment security administration <sup>3</sup>	Health services <sup>4</sup>	Other welfare services <sup>5</sup>	Education <sup>6</sup>	All other <sup>7</sup>
Total Continental United States	\$1,315	\$12.19	\$6.23	\$ .94	\$ .45	\$ .66	\$ .25	\$3.65
High-income group		10.64	5.59	1.20	.32	.47	.19	2.87
Nevada	1,764	43.78	4.99	2.81	.90	.64	.97	33.47
New York	1,760	7.92	4.07	1.31	.21	.39	.15	1.79
Illinois	1,642	10.92	5.88	.81	.43	.54	.17	3.10
Delaware	1,635	11.92	2.17	1.08	.70	.86	.73	6.38
California	1,628	13.33	8.07	1.61	.24	.50	.12	2.79
District of Columbia	1,624	8.81	1.82	1.16	.63	.18	.10	4.92
Montana	1,624	27.37	8.90	1.27	.73	.84	.49	15.13
Connecticut	1,596	7.37	3.07	1.21	.32	.64	.17	1.97
New Jersey	1,534	6.76	1.98	1.21	.37	.38	.14	2.68
Rhode Island	1,466	11.68	5.39	1.52	.40	.50	.34	3.54
Maryland	1,451	8.10	2.70	1.15	.48	.52	.19	3.06
Massachusetts	1,433	12.03	8.02	1.20	.34	.42	.15	1.90
North Dakota	1,430	21.50	5.98	.76	.69	.69	.44	12.94
Ohio	1,425	9.39	5.66	.83	.28	.46	.18	1.99
Wyoming	1,404	30.28	5.18	1.32	.61	.84	.80	21.03
Washington	1,404	17.48	10.85	1.29	.30	.64	.65	3.75
Middle-income group		12.48	6.21	.87	.33	.56	.24	4.27
Michigan	1,394	11.74	5.99	1.19	.29	.63	.20	3.44
South Dakota	1,392	22.17	6.65	.58	.58	.29	.41	13.67
Colorado	1,362	26.43	14.79	.86	.41	.62	.25	9.48
Pennsylvania	1,338	8.71	4.10	1.02	.25	.41	.17	2.77
Wisconsin	1,332	11.76	5.18	.64	.33	.62	.23	4.76
Nebraska	1,287	14.60	6.77	.58	.40	.56	.31	5.99
Indiana	1,277	8.56	4.31	.70	.30	.54	.20	2.50
Oregon	1,274	13.04	5.26	1.17	.44	.55	.21	5.41
Iowa	1,263	12.85	6.58	.46	.29	.63	.26	4.64
Idaho	1,240	17.44	6.92	1.23	.65	.67	.52	7.45
Minnesota	1,229	13.81	6.77	.81	.35	.66	.23	4.98
Missouri	1,227	16.89	11.67	.55	.27	.59	.23	3.58
Kansas	1,211	15.22	6.95	.63	.43	.63	.37	6.22
Utah	1,171	18.64	7.00	1.21	.64	.95	.36	8.48
New Hampshire	1,165	12.82	4.89	1.35	.44	.59	.40	5.15
Vermont	1,148	16.24	5.70	1.31	.78	.86	.60	6.99
Maine	1,146	12.11	5.65	.92	.58	.54	.35	4.08
Low-income group		14.40	7.51	.69	.71	1.00	.34	4.15
Florida	1,128	16.93	10.95	.86	.93	.82	.18	3.19
Arizona	1,123	20.52	7.43	1.42	.63	.99	.54	9.61
Texas	1,118	15.55	8.54	.63	.51	.75	.32	4.80
Virginia	1,075	6.82	1.87	.52	.50	.76	.24	2.94
New Mexico	1,030	21.96	7.61	1.17	1.03	.87	.43	10.85
West Virginia	1,027	9.69	4.72	.63	.54	.97	.31	2.53
Oklahoma	941	26.53	19.47	.69	.65	1.05	.38	4.29
Louisiana	909	23.25	17.32	.72	.80	1.05	.22	3.14
Georgia	907	14.31	6.38	.64	.89	1.27	.64	4.49
Tennessee	906	13.77	6.09	.76	.60	.98	.33	5.01
North Carolina	879	9.97	3.56	.69	.72	1.11	.27	3.62
Kentucky	846	10.73	5.21	.48	.70	.99	.29	3.06
Alabama	828	12.05	5.98	.82	.90	1.16	.39	2.80
South Carolina	798	12.87	4.69	.76	.90	1.28	.35	4.89
Arkansas	776	13.60	6.71	.65	.68	1.12	.41	4.33
Mississippi	674	13.77	5.10	.70	1.03	1.29	.40	5.25
Territories and possessions		7.10	.73	.31	.95	1.21	.28	3.60
Alaska		18.91	6.06	4.02	5.97	.42	1.08	1.35
Hawaii		16.39	2.93	.67	.94	.74	.48	10.62
Puerto Rico		3.73		.07	.68	1.34	.20	1.43
Virgin Islands		44.72			5.46	2.75		36.52

<sup>1</sup> Grants data are from the *Combined Statement of Receipts, Expenditures, and Balances of the United States Government for the Fiscal Year Ended June 30, 1949* and are on a checks-issued basis. Per capita grants are based on estimates by the Bureau of the Census for the total population, excluding armed forces overseas, as of July 1, 1948; for Alaska, they are based on an estimate by the Department of the Interior. Income-payments data used are from the *Survey of Current Business*, August 1949.

<sup>2</sup> Old-age assistance, aid to dependent children, and aid to the blind.

<sup>3</sup> Unemployment insurance and employment service administration.

<sup>4</sup> Maternal and child health services, services for crippled children, emergency maternity and infant care, public health services, tuberculosis and venereal

disease control, mental health, hospital survey and construction, and cancer control.

<sup>5</sup> Child welfare services, vocational rehabilitation, State and Territorial homes for disabled soldiers and sailors, and school lunch program.

<sup>6</sup> Colleges for agriculture and mechanic arts, vocational education, education of the blind, State and municipal marine schools, and maintenance and operation of schools in certain areas.

<sup>7</sup> Agricultural experiment stations, agricultural extension work, marketing and research, forest-fire cooperation, removal of surplus agricultural commodities, wildlife restoration, supply and distribution of farm labor, annual contributions to public housing agencies, Federal airport program, highway construction, liquidation of PWA grants, disaster and emergency relief, highway emergency grants, and other community facilities grants.

The inverse correlation of per capita grants for many of the major purposes represents considerable progress in the direction of greater equalization of the Federal share of these programs. As recently as 1946-47,

per capita Federal grants for all purposes, for assistance payments and administration, and for education, were highest, on the average, for the middle-income group of States. In both 1947-48 and 1948-49,

the highest per capita grants for these purposes have gone to the low-income States.

For all purposes, the per capita grants for the Territories and possessions are substantially lower than those for the continental United States, chiefly as a result of their exclusion from several regular grant-in-aid programs and their relatively unfavorable treatment under others.

In the aggregate, total grants to States and local governments tend to represent increasingly high percentages of income payments and State tax collections as State income becomes lower. Federal grants in 1948-49 averaged 0.87 percent of income payments; the percentage for the 16 highest-income States, however, was 0.63, while that for the 16 lowest-income States was 1.42 (table 3). Similarly, Federal grants on the average amounted to 21.5 percent of all State tax collections in 1948-49, to 17.4 percent for the 16 highest-income States, and to 27.4 percent for the 16 lowest-income States. Total grants make up a higher percentage of income payments and State tax collections in the large public-land States as a result of the operation of minimum allotment provisions and certain of the allocation formulas. In Nevada, for example, they amounted to 2.61 percent of income payments and 65.3 percent of State tax collections.

Grants administered by the Social Security Administration in 1948-49 amounted to \$1,091 million, or 60.1 percent of all Federal grants. They equaled, on the average, 0.53 percent of income payments and 13.0 percent of State tax collections. Here again, the percentages tended to be larger as per capita income became smaller. Social Security Administration grants, however, as a percentage of total Federal grants were larger for the highest-income States than for the lowest-income States. They constituted but 21.8 percent of total grants to the Territories and possessions as compared with 60.6 percent for the continental United States as a whole. Social Security Administration grants amounted to \$7.33 per capita, on the average, for all States, Territories, and possessions but were only \$1.55 per capita in the Territories and possessions.

Table 3.—Federal grants to States and localities in relation to income payments and State tax collections, by State, fiscal year 1948-49<sup>1</sup>

States ranked by 1946-48 average per capita income	Total grants to States			Grants under programs administered by Social Security Administration				
	Amount (in thousands)	As percent of income payments	As percent of State tax collections	Amount (in thousands)	As percent of income payments	As percent of State tax collections	As percent of total grants	Per capita
Total Continental United States	\$1,814,751			\$1,091,282			60.1	\$7.33
High-income group	1,794,883	.87	21.5	1,086,952	.53	13.0	60.6	7.44
Nevada	640,884	.63	17.4	415,054	.41	11.3	64.8	6.89
New York	7,180	2.61	65.3	1,382	.50	12.6	19.2	8.43
Illinois	112,690	.42	12.6	77,285	.29	8.7	68.6	5.43
Delaware	91,139	.60	20.8	56,496	.37	12.9	62.0	6.77
California	3,575	.68	21.0	1,092	.21	6.4	30.5	3.64
District of Columbia	137,982	.81	16.0	100,931	.59	11.7	73.1	9.75
Montana	7,599	.52		2,829	.19		37.2	3.28
Connecticut	13,987	1.53	48.2	5,301	.59	18.6	38.5	10.55
New Jersey	14,667	.43	14.5	8,798	.26	8.7	60.0	4.42
Rhode Island	32,243	.42	16.5	15,571	.20	8.0	48.3	3.27
Maryland	8,703	.75	18.2	5,290	.45	11.0	60.8	7.10
Massachusetts	17,450	.52	12.9	8,765	.26	6.5	50.2	4.07
North Dakota	55,809	.80	20.8	43,249	.62	16.1	77.5	9.32
Ohio	12,511	1.46	33.8	4,103	.48	11.1	32.8	7.05
Wyoming	73,654	.61	18.3	51,490	.42	12.8	69.9	6.57
Washington	8,629	2.03	50.8	2,054	.49	12.3	24.2	7.31
Washington	43,065	1.20	10.4	30,287	.85	13.6	70.3	12.30
Middle-income group	526,769	.88	22.2	310,411	.51	12.9	57.8	7.22
Michigan	73,987	.79	16.1	45,232	.49	10.0	62.0	7.28
South Dakota	13,549	1.41	42.3	4,597	.48	14.4	38.8	7.52
Colorado	31,685	1.85	34.8	19,015	1.11	20.9	60.0	15.86
Pennsylvania	91,272	.60	18.0	54,519	.36	10.7	59.7	5.20
Wisconsin	38,808	.81	19.3	19,691	.41	9.8	50.7	5.97
Nebraska	18,734	.99	40.7	9,669	.51	21.0	51.6	7.54
Indiana	33,522	.61	18.0	19,959	.36	10.7	59.6	5.10
Oregon	21,372	1.00	19.1	10,755	.50	9.6	50.3	6.56
Iowa	33,571	.86	22.4	18,742	.48	12.5	55.8	7.18
Idaho	10,222	1.39	30.1	4,948	.67	14.6	48.4	8.44
Minnesota	40,506	1.02	22.9	22,743	.57	12.8	56.1	7.75
Missouri	65,733	1.25	36.5	47,966	.91	26.6	73.0	12.32
Kansas	28,846	1.18	27.0	14,639	.60	13.7	50.7	7.73
Utah	12,488	1.51	27.2	5,720	.69	12.4	45.8	8.54
New Hampshire	6,704	1.02	27.9	3,402	.52	14.2	70.7	6.61
Vermont	5,894	1.32	29.5	2,686	.60	13.4	45.6	7.40
Maine	10,873	.99	23.7	6,119	.56	13.3	56.3	6.81
Low-income group	617,230	1.42	27.4	361,486	.83	16.1	58.6	8.43
Florida	41,140	1.49	28.4	29,078	1.05	20.1	70.7	11.97
Arizona	14,449	1.76	25.4	6,498	.79	11.3	44.8	9.19
Texas	114,582	1.30	34.2	68,617	.78	20.5	59.9	9.31
Virginia	20,798	.59	15.1	7,990	.23	5.8	38.4	2.62
New Mexico	12,540	1.95	27.9	5,259	.82	11.7	41.9	9.21
West Virginia	18,524	.86	15.8	10,667	.49	9.1	57.6	5.58
Oklahoma	60,876	2.58	40.0	46,692	1.98	30.7	76.7	20.35
Louisiana	60,250	2.32	25.2	47,329	1.82	19.8	78.6	18.27
Georgia	45,306	1.47	37.8	23,075	.75	19.2	50.9	7.29
Tennessee	43,766	1.44	28.2	22,457	.74	14.5	51.3	7.06
North Carolina	37,853	1.07	16.4	17,001	.45	7.4	44.9	4.48
Kentucky	30,632	1.18	26.2	16,979	.65	14.5	55.4	5.94
Alabama	34,969	1.35	29.4	20,619	.80	17.3	59.0	7.11
South Carolina	25,508	1.49	25.3	11,475	.67	11.4	45.0	5.79
Arkansas	26,926	1.61	30.6	14,816	.89	16.8	55.0	7.65
Mississippi	29,111	1.82	31.3	12,964	.81	13.9	44.5	6.13
Territories and possessions	19,868			4,330			21.8	1.55
Alaska	1,778			1,173			60.0	12.48
Hawaii	8,244			2,122			25.7	4.22
Puerto Rico	8,110			918			11.3	.42
Virgin Islands	1,207			117			9.7	4.33
Undistributed	529							

<sup>1</sup> Grants data are from the Combined Statement of Receipts, Expenditures, and Balances of the United States Government for the Fiscal Year Ended June 30, 1949 and are on a checks-issued basis. Income payments data used are from the Survey of Current Business, August 1949. Tax collection data are for 1949 and are from State Tax Collections in 1949 (Bureau of the Census) except for the estimates for

Arizona, Indiana, Montana, and New Mexico. Per capita grants are based on estimates by the Bureau of the Census for the total population, excluding armed forces overseas, as of July 1, 1948; for Alaska they are based upon an estimate of the Department of the Interior.

<sup>2</sup> Estimated.