

PUBLIC ASSISTANCE

BUREAU OF PUBLIC ASSISTANCE • DIVISIONS OF
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Effect of Increased Federal Participation in Payments for Old-Age Assistance in 1940

Effective January 1, 1940, Federal funds were made available to the States to meet one-half the cost of individual monthly payments for old-age assistance of \$40 or less from Federal, State, and local funds. Prior to 1940, Federal participation was limited to payments of \$30 or less. Raising the maximum from \$30 to \$40 was intended to make additional Federal funds available to States already making payments in excess of \$30. In addition, it was hoped that States which had followed the leadership of the Federal Government in establishing a State maximum of \$30 would be encouraged to raise their maximums to \$40.

Comparative data on expenditures for 1939 and 1940 are analyzed here to determine some of the immediate effects of the increase in the Federal matching maximum. The analysis is directed to the following questions: (1) How many States took advantage of Federal participation in payments between \$30 and \$40 in 1940? (2) Did the amendment result in an increase during 1940 in the number of cases receiving payments in excess of \$30? (3) How much additional Federal funds were made available to the States in 1940 for assistance payments between \$30 and \$40? (4) Was increased Federal participation accompanied by an increase in average payments per recipient? (5) Did the amendment encourage the States and localities to expend additional funds or was there a partial withdrawal of State-local funds? (6) How did the States share the additional Federal funds with the localities?

States Affected by Amendment in 1940

In the continental United States, with plans for old-age assistance approved by the Social Security Board, 18 States took advantage of the amendment by making payments in excess of \$30 in 1940. Approximately 50 percent of total payments for old-age assistance in the United States was given to recipients in these 18 States.

Nine of the 18 States—Alabama, California,

Colorado, Kansas, Louisiana, Massachusetts, New Mexico, New York, and Utah—made some payments in excess of \$30 in 1939.¹ In Alabama, such payments were made to Confederate veterans only, and in California, the legal maximum was \$35. In the remaining 7 States, laws stipulated no maximums or maximums in excess of \$40.

During 1940, nine States—Connecticut,² Idaho, Illinois, Montana, New Hampshire, New Jersey, North Dakota, Wisconsin, and Wyoming—made payments above \$30 for the first time. In addition, California, which had been making payments up to \$35 prior to 1940, changed its law to permit payments of as much as \$40. Idaho, Montana, New Hampshire, and North Dakota revised administrative regulations, which had restricted individual payments to \$30; no amending legislation was necessary in these States. In Connecticut, Illinois, New Jersey, Wisconsin, and Wyoming, the laws were amended to permit payments up to \$40. The amendments of old-age assistance legislation or administration regulations were in effect January 1, 1940, in all these States except Illinois, where the effective date was June 1940.

The remaining 31 States continued in 1940 to make payments of \$30 or less. Some of these States, which were not prohibited by their laws from making payments above this amount, did not do so chiefly because of limited State and local funds available for the program. The legislatures of several other States are considering bills which provide for raising present legal maximums of \$30 or less. Only recently, Ohio and Oregon passed such legislation to be effective in 1941. It may be anticipated that legislation permitting payments up to \$40 will be enacted during 1941 in some States whose legislatures did not meet in 1940. Since amendments to existing

¹ In addition, the District of Columbia made payments in excess of \$30 in the fiscal year ended June 30, 1939, but made no such payments in 1940.

² Prior to 1940, Connecticut had been making payments of \$31 in months with 31 days, because the maximum payment was \$1 per day.

Table 1.—Recipients of old-age assistance in States making monthly assistance payments of \$31-40, by State, November 1940

[Data reported by State agencies, corrected to Apr. 1, 1941]

State	Total number of recipients	Recipients receiving payments of \$31-40	
		Number	Percent of total
Total.....	778,560	211,630	27.2
Alabama.....	20,094	23	.1
California.....	140,738	134,090	80.5
Colorado.....	38,107	20,454	53.7
Connecticut.....	17,353	2,929	16.9
Idaho.....	9,001	583	6.4
Illinois.....	141,216	7,302	5.2
Kansas.....	27,915	1,998	7.2
Louisiana.....	33,827	300	.9
Massachusetts.....	60,905	17,297	10.0
Montana.....	12,180	127	1.0
New Hampshire.....	8,375	405	4.8
New Jersey.....	31,359	840	2.7
New Mexico.....	4,868	285	5.9
New York.....	120,609	21,857	18.1
North Dakota.....	8,908	32	.4
Utah.....	13,582	378	2.8
Wisconsin.....	53,019	2,588	4.9
Wyoming.....	3,440	140	4.1

¹ Recipients 60-64 years of age excluded.
² Data for October 1940.

laws are required in most States, it is too soon to draw any final conclusion as to the number of States affected by the change in the Federal act.

Change in Proportion of Payments Above \$30

Data for the fiscal years ended June 30, 1939, and June 30, 1940, show changes in the percent of new recipients who received payments in excess of \$30. Payments of more than \$30 were made to 23.8 percent of recipients added to the rolls in the 18 States during 1939-40 as compared with 19.9 percent in the preceding fiscal year. In November 1940, 27.2 percent of all individuals on the old-age assistance rolls in the 18 States making payments of more than \$30 received monthly payments of more than \$30 but not exceeding \$40 (table 1). About one-third of the persons benefiting from the increase in Federal funds were in the nine States which in 1940 made payments above \$30 for the first time. It seems reasonable to assume that the increase in the proportion of old-age assistance recipients of payments above \$30 resulted in large measure from more liberal payments in 1940.

Additional Federal Funds Available

It is estimated that about \$10 million of Federal funds were made available to the States in 1940 as

a result of Federal participation in payments between \$30 and \$40. These additional Federal funds represented an increase of approximately 4 percent over the amount which would have been granted if the Social Security Act had not been amended. Further increases in Federal grants to the States may be expected in 1941 as additional States revise present laws to permit larger payments and as the number of payments in excess of former maximums increases.

Table 2.—Average payment per recipient of old-age assistance, by State, June 1939 and June 1940

[Data reported by State agencies, corrected to Apr. 1, 1941]

State	Average payment per recipient		Increase or decrease	
	June 1939	June 1940 ¹	Amount	Percent
Providing payments above \$30 in 1940:				
Alabama.....	\$9.20	\$9.35	+\$0.06	+0.6
California.....	32.45	37.95	+5.50	+16.9
Colorado.....	28.20	33.75	+5.55	+19.7
Connecticut.....	29.03	29.91	+.88	+3.4
Idaho.....	21.45	21.99	+.54	+2.5
Illinois.....	19.23	20.96	+1.73	+9.0
Kansas.....	17.07	19.51	+2.44	+14.3
Louisiana.....	10.52	11.90	+1.38	+13.1
Massachusetts.....	28.33	28.43	+.10	+.4
Montana.....	17.02	18.07	+1.05	+6.2
New Hampshire.....	23.64	21.43	-2.21	-9.3
New Jersey.....	19.50	20.71	+1.21	+6.2
New Mexico.....	11.85	14.45	+2.60	+21.9
New York.....	23.67	25.66	+1.99	+8.4
North Dakota.....	17.70	16.78	-.92	-5.2
Utah.....	20.76	21.21	+.45	+2.2
Wisconsin.....	21.20	22.33	+1.13	+5.3
Wyoming.....	23.03	23.71	+.68	+3.0
Providing no payments above \$30 in 1940:				
Arizona.....	26.31	27.69	+1.38	+5.1
Arkansas.....	6.02	7.57	+1.55	+25.7
Delaware.....	10.96	11.35	+.39	+3.6
District of Columbia.....	25.57	25.50	-.07	-.3
Florida.....	13.86	12.01	-1.85	-13.3
Georgia.....	8.12	8.00	-.12	-1.5
Indiana.....	17.17	18.01	+.84	+4.9
Iowa.....	19.90	20.93	+1.03	+5.2
Kentucky.....	8.65	8.74	+.09	+1.0
Maine.....	20.53	21.27	+.74	+3.6
Maryland.....	17.42	17.68	+.26	+1.5
Michigan.....	16.44	16.90	+.46	+2.8
Minnesota.....	20.67	21.47	+.80	+3.9
Mississippi.....	7.31	8.30	+1.00	+13.1
Missouri.....	18.77	16.09	-2.68	-14.3
Nebraska.....	15.45	16.61	+1.16	+7.5
Nevada.....	20.57	20.64	+.07	+.3
North Carolina.....	9.59	10.14	+.55	+5.7
Ohio.....	22.57	23.30	+.73	+3.2
Oklahoma.....	17.72	17.72	(²)	(²)
Oregon.....	21.38	21.38	(²)	(²)
Pennsylvania.....	21.34	22.06	+.72	+3.4
Rhode Island.....	18.95	19.51	+.56	+3.0
South Carolina.....	8.18	8.24	+.06	+.7
South Dakota.....	18.30	19.70	+1.40	+7.7
Tennessee.....	13.21	10.08	-3.13	-23.7
Texas.....	14.16	10.31	-3.85	-27.2
Vermont.....	15.09	15.09	+.00	+0.0
Virginia.....	9.63	9.82	+.19	+2.0
Washington.....	22.15	22.08	-.07	-.3
West Virginia.....	13.53	13.89	+.36	+2.7

¹ For some States, includes relatively small amounts for hospitalization and burial.
² No change.

Change in Average Payments per Recipient

The additional Federal funds seem to have encouraged increases in average payments in the 18 States making payments up to \$40. The average payment per recipient for the median State in this group increased \$1.08 from June 1940, whereas the average payment for the median State in the other 31 States increased only 39 cents. Increases from the previous year in the average payment were reported by all but 2 of the 18 States. Average payments increased from \$1 to \$3 in 8 of these States; more than \$5 in 2 States; and less than \$1 in 6 States (table 2).

The absolute increases represented percentage increases in average payments of 10 percent or more in 5 States, 5 to 10 percent in 5 States, and less than 5 percent in 6 States; the decreases in 2 States were 5.1 and 9.3 percent.

Effect on State-Local Participation

No withdrawal of State-local funds occurred in 1940 in any of the 18 States making payments up to \$40. Instead, State-local expenditures increased more in these States than in other States. The amounts contributed by the States and localities during the half year ended June 30, 1940, increased 5.1 percent over the preceding half year in these 18 States as compared with 2.0 percent in the other States (table 3).

Shifts in Division of Costs Between States and Localities

Six of the 18 States financed assistance costs entirely from State funds in both 1939 and 1940. In the remaining 12 States, the State share of the

Table 3.—Expenditures from State and local funds for payments for old-age assistance for States with and without payments above \$30, 1939-40¹

(In thousands)

States	Expenditures in 6 months ended—		Percent- age increase
	Dec. 31, 1939	June 30, 1940	
Total.....	\$111,398	\$118,804	3.5
18 States providing payments above \$30 in 1940.....	84,768	87,684	5.1
31 States providing no payments above \$30 in 1940.....	66,040	87,760	2.0

¹ For some States, includes relatively small amounts for hospitalization and burial.

² In the continental United States.

amount paid from State-local funds in the half year ended June 30, 1940, was 56 percent as compared with 57.3 percent for the preceding half year. The slight decrease in the State share for this group of States reflects diverse changes in the individual States. In only 4 States—Massachusetts, New York, Utah, and Wyoming—was there an absolute decrease in State funds expended and an increase in local funds. The reverse occurred in Montana and North Dakota. In the remaining States, expenditures from both State and local funds increased. Because the increase in State funds was relatively less than the increase in local funds in Alabama, California, and Wisconsin, there was a slight shift of financial responsibility to the localities in these States. The proportions of State and local funds remained unchanged in New Hampshire and New Jersey. In Kansas, on the other hand, the relative increase in State funds exceeded that in local funds, and hence local responsibility decreased slightly.