Notes and Brief Reports

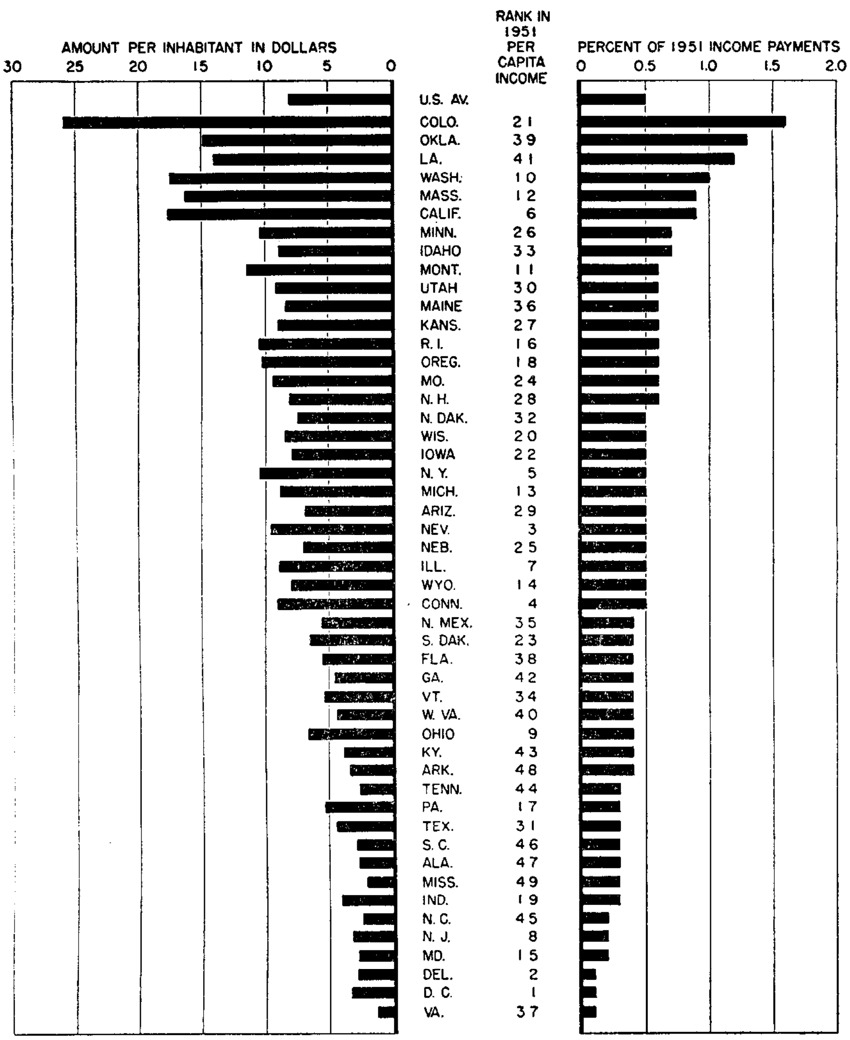
State and Local Assistance Expenditures in Relation to Income Payments

In the fiscal year 1951–52, expenditures for public assistance from State and local funds in the continental United States amounted to $1.3 billion, a decline of 2.1 percent from 1950–51. This decrease, coupled with a continued growth in income payments to individuals in all States, brought about a substantial reduction in the fiscal effort exerted by the States as a group to finance the non-Federal share of public assistance costs. For the Nation as a whole, the percent of income payments required for public assistance—used here as a measure of fiscal effort—declined more than a seventh (from 0.59 percent to 0.51 percent) between 1950–51 and 1951–52.

Income payments to individuals rose 11.6 percent to a record-breaking high of $243 billion in the 1951 calendar year, the latest 12 months for which data are available on a State basis. Every State shared in the increase from 1950. Thirty-one of the 49 States fell within 3 percentage points of the increase for the Nation. More than 3 out of every 4 States had increases of 10 percent or more, with the largest in Arizona and South Carolina.

Although the national total of State and local assistance expenditures declined, more than half (27) of the States spent more in the fiscal year 1951–52 than they did in 1950–51. Increases of 10 percent or more took place in 11 States; four of them reported rises of more than 20 percent, with the largest increase (39.9 percent) in Kentucky. Many of the 22 States with diminishing public assistance costs are populous industrial States where the expansion of the old-age and survivors insurance program, particularly since the 1950 amendments, has reduced the need for public assistance for the aged. Among these States were California, New York, Pennsylvania, and Washington, where declines in State and local costs were substantial and had a large influence on the downward change from 1950–51 for the Nation as a whole. Declines of 10 percent or more occurred in six States. A distribution of the States by percentage changes in income payments and in State and local expenditures for assistance is shown below.

Expenditures per inhabitant for public assistance payments from State and local funds (including vendor payments for medical care) in relation to income payments, by State, fiscal year 1951–52



Percentage change	Number of States with specified percentage change in— Income payments	State and local assistance expenditures: Increases	State and local assistance expenditures: Decreases
Total number of States	49	27	22
0–4.9	1	12	13
5–9.9	10	4	3
10–14.9	26	6	2
15–19.9	10	1	1
20 and over	2	4	3

As a result of the substantial gains in income payments and the declines or smaller increases in assistance expenditures, 40 of the 49 States exerted less fiscal effort in 1951–52 than in 1950–51. The proportion of income payments used for public assistance went up in six States—Georgia, Kentucky, Minnesota, South Dakota, Utah, and Vermont—and remained unchanged in the District of Columbia, Iowa, and South Carolina. In the 40 States that exerted less fiscal effort in 1951–52, the decrease in the ratio of assistance expenditures to income payments ranged from 1 percent in Idaho to 38 percent in Arkansas. In six States — Arizona, Arkansas, Florida, Indiana, Pennsylvania, and Washington—the decline was more than a fifth. The distribution of States by percentage change from 1950–51 to 1951–52 in the proportion of income payments used for assistance was as follows:

Total number of States	49
Increases	6
No change	3
Decreases	40
Less than 5 percent	6
5–9 percent	10
10–14 percent	10
15–19 percent	8
20 percent and over	6

For all States combined, State and local expenditures for assistance in 1951–52 took about one-half of 1 percent of total income payments to individuals. The fiscal effort exerted by the individual States, however, varied widely from the national average. Colorado, Oklahoma, and Louisiana used more than 1 percent of their income payments for public assistance; at the other extreme, New Jersey, Maryland, Delaware, the District of Columbia, and Virginia used less than one-fifth of 1 percent. Twenty-nine of the States used from one-fifth to three-fifths of 1 percent of their income payments to pay public assistance costs. State ratios of assistance expenditures to income payments in 1951–52 were distributed as follows:

Total number of States	49
0.00–0.19 percent	5
0.20–0.39 percent	12
0.40–0.59 percent	17
0.60–0.79 percent	9
0.80–0.99 percent	3
1.00 percent and over	3

The States, of course, do not first decide just what percent of their income payments they wish to spend each year for public assistance and then fashion their public assistance programs accordingly. Ordinarily, the agency administering the program in the State determines, in accordance with Federal and State laws, what items are necessary for healthful and decent living and how much it costs to buy these necessities. On the basis of these standards of what constitutes need, the State determines who are the needy eligible to receive aid if they meet other requirements. In some States, the State and local appropriations are not large enough to support the State's minimum standard of living for assistance recipients, and then the standard is only partly met. Legislative decisions on the amount to be appropriated usually are based on many considerations, including the need for public assistance in relation to other State functions; rarely, if ever, would the relationship of public assistance expenditures to income payments be a determining factor. The fiscal effort a State must make to pay public assistance costs, therefore, is ordinarily a result rather than a decisive criterion of the kind of public assist-

State and local expenditures for public assistance payments (including vendor payments for medical care) to individuals in relation to income payments and amount expended per inhabitant, by State, 1952 [1]

State	Percentage change in—		State and local expenditures for assistance			
	Income payments, 1951 from 1950	State and local expenditures for assistance, 1952 from 1951	As percent of income payments			Per in-habitant, 1952
			1951	1952	Percentage change, 1952 from 1951	
Continental United States [2]	+11.6	−2.1	0.59	0.51	−14	$8.16
Alabama	+12.8	+2.2	.30	.28	−7	2.62
Arizona	+23.0	−17.5	.72	.48	−33	6.85
Arkansas	+11.8	−29.2	.58	.36	−38	3.37
California	+14.5	−2.1	1.07	.91	−15	17.63
Colorado	+16.3	+.1	1.91	1.65	−14	25.84
Connecticut	+14.0	−3.6	.54	.46	−15	9.10
Delaware	+12.2	+3.9	.15	.14	−7	2.91
District of Columbia	+10.6	+13.3	.12	.12	0	3.46
Florida	+11.7	−12.6	.54	.42	−22	5.41
Georgia	+16.2	+28.1	.37	.41	+11	4.53
Idaho	+8.3	+3.3	.67	.66	−1	8.99
Illinois	+10.4	+10.1	.47	.46	−2	8.94
Indiana	+15.4	−13.2	.34	.25	−26	4.14
Iowa	+8.2	+6.8	.52	.52	0	7.95
Kansas	+10.8	+1.1	.68	.62	−9	9.11
Kentucky	+15.4	+39.9	.30	.37	+23	3.90
Louisiana	+10.4	+2.5	1.35	1.24	−8	14.09
Maine	+9.1	−.7	.70	.64	−9	8.44
Maryland	+13.4	−6.9	.22	.18	−18	2.86
Massachusetts	+9.0	+6.9	.96	.93	−3	16.24
Michigan	+11.8	+1.1	.57	.51	−11	8.90
Minnesota	+10.6	+12.2	.69	.70	+1	10.35
Mississippi	+10.6	+.2	.30	.27	−10	2.09
Missouri	+10.1	−4.0	.71	.62	−13	9.38
Montana	+8.9	−2.0	.71	.65	−8	11.38
Nebraska	+3.4	+1.9	.48	.47	−2	7.09
Nevada	+15.7	+1.8	.54	.48	−11	9.64
New Hampshire	+11.0	+10.3	.71	.58	−18	8.06
New Jersey	+13.2	−2.8	.22	.18	−18	3.27
New Mexico	+18.2	+7.8	.47	.43	−9	5.54
New York	+7.5	−4.0	.58	.51	−12	10.46
North Carolina	+11.9	+3.0	.25	.23	−8	2.38
North Dakota	+7.5	−4.8	.58	.53	−9	7.45
Ohio	+15.0	−1.3	.43	.37	−14	6.66
Oklahoma	+11.8	+10.7	1.28	1.26	−2	14.94
Oregon	+11.0	−2.6	.71	.62	−13	10.26
Pennsylvania	+8.7	−24.6	.46	.32	−30	5.28
Rhode Island	+8.6	−4.2	.71	.62	−13	10.52
South Carolina	+21.4	+20.6	.29	.29	0	2.92
South Dakota	+17.9	+26.4	.39	.42	+8	6.49
Tennessee	+10.9	−9.1	.41	.33	−19	3.55
Texas	+14.3	+.1	.36	.32	−11	4.46
Utah	+15.1	+18.4	.63	.65	+3	9.22
Vermont	+9.4	+13.4	.39	.40	+3	5.30
Virginia	+15.3	−2.1	.12	.11	−8	1.28
Washington	+10.1	−29.5	1.54	.99	−36	17.46
West Virginia	+10.7	−6.9	.44	.37	−16	4.38
Wisconsin	+13.7	+9.2	.55	.53	−4	8.49
Wyoming	+14.9	−4.4	.56	.46	−18	7.97

[1] Expenditures exclude amounts spent for administration and are for fiscal years 1950–51 and 1951–52; these expenditures are related respectively to income payments for calendar years 1950 and 1951.

[2] Data on per capita income for Alaska, Hawaii, Puerto Rico, and the Virgin Islands not available.

ance program the State chooses to administer and finance.

A State that spends a comparatively large amount per inhabitant for public assistance ordinarily uses a relatively large percent of its income payments to support the program. There is a fairly high correlation between the ranking of States in amount spent per inhabitant for public assistance from State and local funds and percent of income used (chart 1). There is little correlation, however, between the fiscal ability of the States—as measured by per capita income—and the fiscal effort they expend for assistance programs. The 24 States with fiscal effort above the median were divided almost evenly between those with above-average and those with below-average fiscal capacity. Of the 12 States with highest fiscal effort, only four were among the 12 States with highest per capita income; seven of the other eight with highest fiscal effort were below the median State in per capita income, and two were among the 12 States with least economic resources. On the other hand, among the 12 States lowest in fiscal effort, four were in the lowest 12 with respect to per capita income and two were below the median State; the remaining six had above-average incomes, and three of them were among the top 12.

In many of the more wealthy industrial States, the generally high level of economic activity plus the ever-increasing expansion of old-age and survivors insurance coverage has greatly reduced the need for public assistance. In these States, because the percent of population in need is comparatively small, high assistance standards can be maintained with expenditure of a relatively small percent of income payments. In contrast, States with the lowest per capita income, where need is widespread, must use an unusually large percent of their income for public assistance if they wish to maintain relatively high assistance standards. As evidence of this fact, the two low-income States that rank among the highest States in public assistance expenditures finance their programs only with extraordinary fiscal effort. The proportion of income payments used for public assistance in Louisiana and Oklahoma is almost two and one-half times the national average and four or more times that in other States with comparably low per capita incomes.

Caution should be used in making interstate comparisons of fiscal effort on the basis of the percent of income payments spent for public assistance. It is a safe assumption that States with low fiscal capacity and a high percent of income being used for public assistance are administering programs that demand fiscal effort out of the ordinary. It cannot be assumed, however, that States necessarily are making relatively little effort to support the programs, if, in comparison with other States, they use a small percent of income payments for public assistance and have small resources. Three dollars spent for public assistance out of every $1,000 in income payments may represent a greater burden in a low-income State than $5 out of every $1,000 in a State with relatively large resources.

Initial Effect of 1952 Amendments on Average OASI Monthly Benefits

Comparison of the data on benefit amounts newly awarded or currently being paid before and after benefits were converted to the higher rates under the 1952 amendments to the Social Security Act shows substantial increases in the average benefit amounts.

Average Monthly Benefits in Current-Payment Status

On September 30, monthly benefits were being paid at the rate of $193.7 million, an increase of 17 percent from the $166.0 million being paid at the end of August. Most of the increase was attributable to the liberalization in benefit rates for persons already receiving benefits. About 4 percentage points, however, represented the normal growth during the month in the beneficiary rolls and the effect of the higher benefit amounts newly awarded in September—the result of the new-start average monthly wage and the new (1952) benefit formula. The following tabulation shows a comparison of the average monthly amounts paid for September with those for August, by type of benefit.

Type of benefit	Average monthly amount in current-payment status		Percentage increase
	August 31	September 30	
Old-age	$42.36	$48.79	15
Wife's or husband's	22.96	25.72	12
Child's (retired worker's)	13.24	14.26	8
Child's (survivor)	27.83	31.02	11
Widow's or widower's	35.93	40.65	13
Mother's	33.01	36.52	11
Parent's	36.55	41.23	13

For old-age beneficiaries already on the rolls, there were increases of 14 percent for benefits computed originally by use of the conversion table and 7½ percent for the relatively few benefits computed originally under the 1950 formula. The increase, for old-age benefits computed originally by use of the conversion table, amounted to 25 percent for a $20 benefit, 20 percent for a $25 benefit, and 12½ percent for a benefit of $40 or more. For old-age benefits computed originally by use of the 1950 formula, the increase was 10 percent for benefits less than $50, except for those at the $20–25 minimums, and ranged from 10 percent for a $50 benefit down to 6¼ percent for an $80 benefit. The over-all increase of 15 percent reflects the higher rates of benefits newly awarded in September, in addition to the increases for beneficiaries already on the rolls.

The percentage increase for wife's benefits was smaller than that for old-age benefits. Award data have consistently shown that the average old-age benefit amount awarded to retired married men exceeded the corresponding average amount awarded to nonmarried men and to women. The liberalization in old-age benefits, as measured in dollars, becomes proportionately smaller for successively larger benefit amounts.

Another factor that held down the increase in wife's or husband's benefits, and also in child's (retired worker's) benefits, was the limitation imposed by the maximum family benefit provisions. For some retired-