

THE INFLUENCE OF FEDERAL AND STATE MAXIMUMS ON GRANTS APPROVED FOR AID TO DEPENDENT CHILDREN IN 1937-38

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FEDERAL grants-in-aid to the States for the care of dependent children in their own homes have been available under the provisions of the Social Security Act for about 3½ years. Such grants have supplemented State and local funds appropriated to finance programs for aid to dependent children. There is now sufficient accumulated experience to permit appraisal of the administrative and financial structure of the State programs and to determine the influence on the programs of certain provisions in the act.

Considerable attention has been focused on those provisions of the Social Security Act governing the amounts of Federal funds which may be granted to States having approved plans for aid to dependent children. The act stipulates that Federal grants to a State shall be limited to one-third¹ of the total amount expended under its plan, exclusive of amounts by which monthly payments exceed \$18 with respect to one dependent child and \$12 with respect to each other dependent child in the same home. A "dependent child" is defined in the act as one under 16 years of age who has been deprived of parental support or care by the death, continued absence from the home, or physical or mental incapacity of a parent and who is living with a relative of a specified degree of relationship. The States are free to establish higher or lower maximum grants for assistance than the maximums toward which the Federal Government will contribute or to refrain from limiting the amount of grant which may be made to a family in behalf of dependent children, but any payments in excess of the maximum stipulated by the Federal statute must be supplied entirely from State or from State and local funds.

In its report to the President and to the Congress² the Social Security Board recommended

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¹ This proportion was increased to one-half by an amendment approved Aug. 10, effective Jan. 1, 1940.

² "Proposed Changes in the Social Security Act," *Social Security Bulletin*, Vol. 2, No. 1 (January 1939), p. 16.

liberalization of the maximums specified in the Federal act. It would seem pertinent, therefore, to determine the influence which limitations on Federal contributions and similar limitations on the amount of grants for assistance specified by some State laws have had on payments made by the States. Such limitations represent only one set of factors conditioning the levels of assistance payments in the States, but their effect can be measured much more readily than can more complex factors which also condition the level of grants. In any particular State the level of assistance payments is influenced by such variable factors as the standard of assistance which the State is able and willing to support, the cost and standard of living, the degree of urbanization, the extent of other income received by the families assisted, the size of families, and administrative practices with respect to supplementation from other assistance funds of grants for aid to dependent children.

Grants for aid to dependent children are determined by each State, or its local subdivisions under State supervision, in accordance with its own State plan. Frequently, although not universally, the amount of assistance is determined by the application of the budget-deficit principle. The amount needed to provide such essential items as food, clothing, rent, and heat is computed from a standard budget. After deductions have been made for any income the family may have, the balance represents the budget deficit. This deficit is not always met, however, even in States using this principle of grant-determination. A shortage of available funds or provisions in the State law limiting the amount of assistance may serve to reduce the actual grant below the computed budget deficit.

An examination of the distribution of grants in the States throws some light on the extent to which the States have been able to meet the needs of families receiving aid to dependent children within the limits of Federal participation and within the amounts of payment permitted by

their own State laws. Annual reports submitted to the Social Security Board by States with approved plans supply data concerning the grants initially approved for 118,400 families containing 299,700 dependent children accepted for assistance during the fiscal year 1937-38 in 40 States.³ These data make it possible to distribute by one-dollar intervals the grants approved in each State and to analyze the character of the resulting distributions.

Representativeness of Data

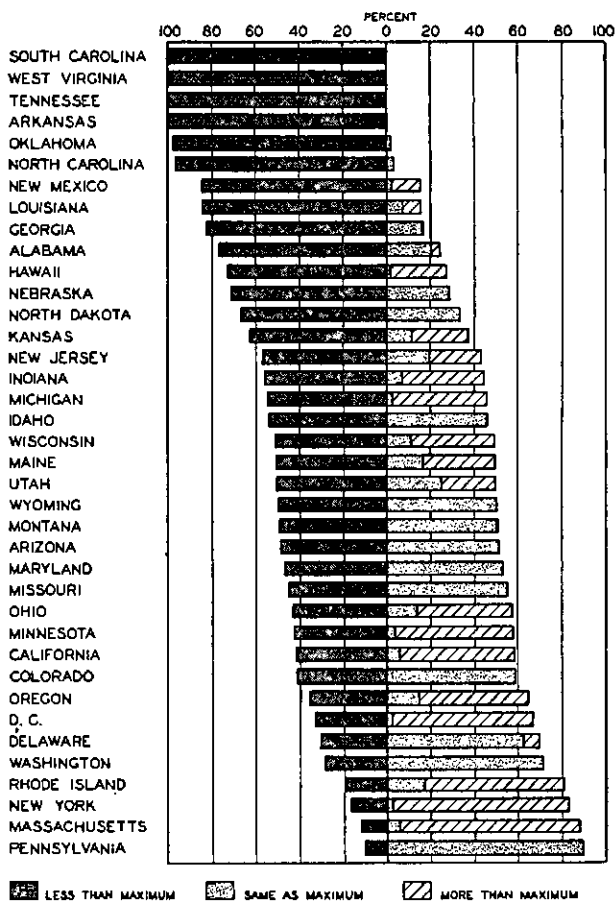
The 118,400 families accepted from July 1937 through June 1938 comprise less than one-half the number of families assisted in the 40 States during the year. As of June 30, 1938, 246,300 families were on the rolls in these States. Owing to turnover in the case load, the total number of families aided during the year is somewhat greater than the number receiving assistance at the end of the year.

In the aggregate data on grants approved during 1937-38 in the 40 States, the individual States are not represented in the same proportion as they are in the total case load at the end of the year. For the 40 States as a group the ratio of cases accepted during the year to the number of families on the rolls at the end of the year is about 1 to 2. The State ratios varied from about 1 to almost 6 cases accepted during the year for every 5 cases open at the end of the year. This wide variation is attributable primarily to the length of time the State programs have been in operation. A State program in the early stages of development will generally be characterized by a high ratio of cases accepted, whereas this ratio will normally be low in a State in which the program is well established. To eliminate the disproportionate influence of the grant distributions in States with programs in an early stage of development during 1937-38, the aggregate data have been adjusted to give each State representation in proportion to its case load at the end of the year rather than in proportion to the number of cases accepted during the period.⁴ Distributions for individual States are not adjusted.

³ "State" is used to include the District of Columbia and Hawaii.

⁴ For each State the number of grants in each dollar interval was computed as a percentage of the total number of grants approved. These percentages were applied to the total number of families receiving assistance as of June 30, 1938, in the State. The resulting data for the several States were then added to obtain the distribution of grants by dollar intervals for the 40 States as a group.

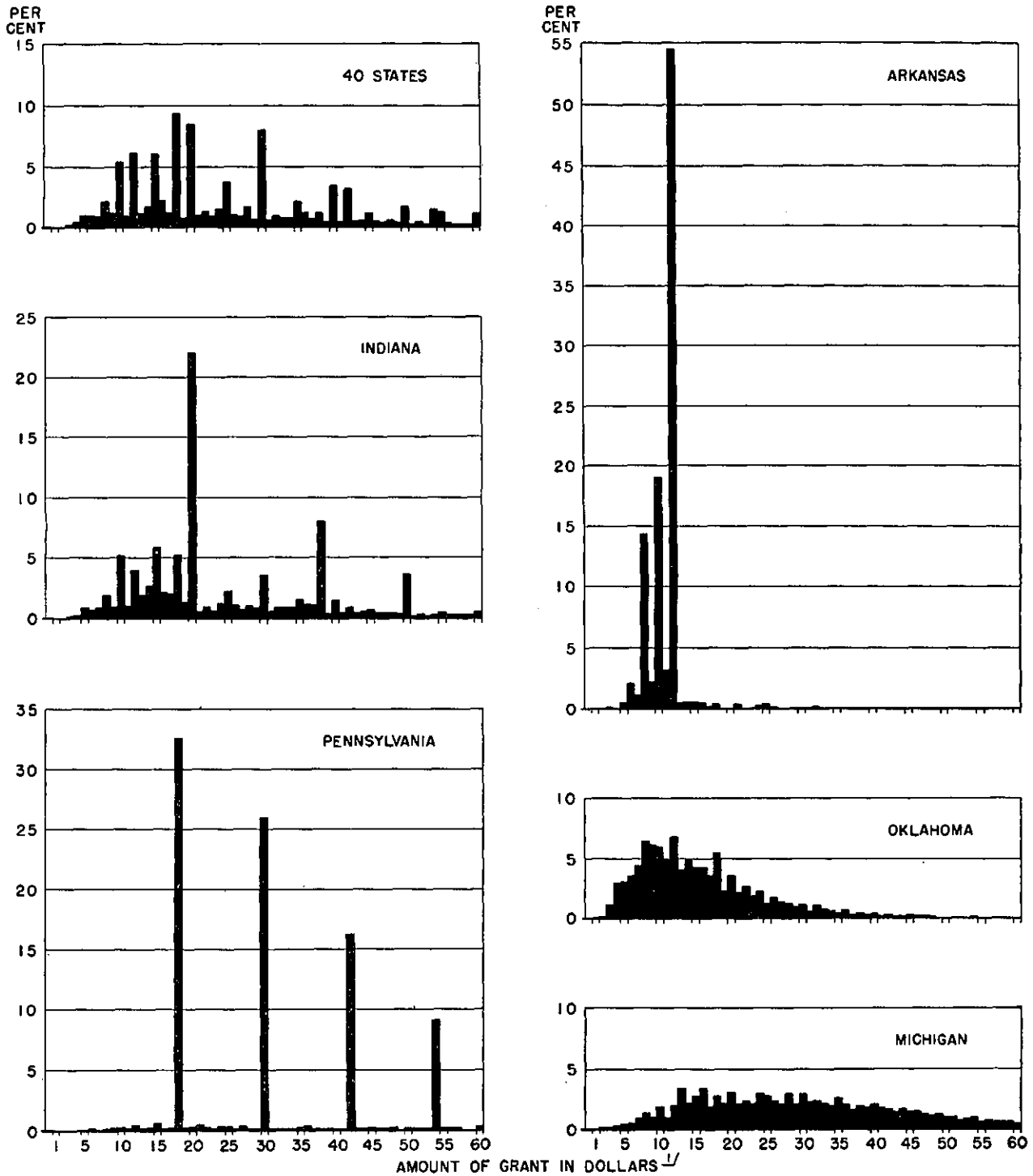
Chart I.—Aid to dependent children: Percent of families approved during the fiscal year 1937-38, for grants of less than, the same as, and more than the maximum toward which the Federal Government contributes, in States with plans approved by the Social Security Board¹



¹ Exclusive of New Hampshire and Vermont, which had too few cases for significant distribution.

In particular States the distribution of grants obtaining for cases approved during 1937-38 may not be representative of the entire case load at a given moment of time. For example, the failure to realize anticipated taxes may have necessitated a reduction in the amounts granted at some time during the year. Conversely, the availability of additional funds may have enabled States to raise the level of grants substantially. The fact that the amount of grant is recorded by the State at the time a family is accepted for assistance and is not revised on the statistical record when subsequent changes are made introduces an additional bias. The amount of assistance may be increased or decreased before the close of the fiscal year, or

Chart II.—Aid to dependent children: Distribution of monthly grants initially approved for families accepted during the fiscal year 1937-38, in States with plans approved by the Social Security Board and in 5 selected States



¹ Grants above \$60 are not shown. Such grants represented 5.6 percent of total grants in 40 States, 3.0 percent in Indiana, 8.7 percent in Pennsylvania, less than 0.1 percent in Oklahoma, and 5.6 percent in Michigan. Arkansas made no such grants.

aid may be discontinued. Before generalizations concerning the entire case load can be made for an individual State, it is necessary to test for representativeness the distribution of grants approved during a selected period.

Comparison of Grant Distributions With Federal and State Maximums

The data on grants approved during 1937-38 indicate that the amount of public assistance required by many families with dependent children cannot be supplied within the existing limits of Federal participation. On the basis of the distribution by dollar intervals and by the number of children included in the 118,400 grants approved within this period it is estimated that 27 percent of the families receiving assistance as of June 30, 1938, were receiving monthly payments in excess of the maximum amounts toward which the Federal Government contributes, and an additional 20 percent of the families were receiving grants equal to the Federal maximum. Almost one family in every two in the 40 States as a group was receiving a grant equal to or greater than the maximum amount for which Federal matching funds are available. It is probable that for a very substantial proportion of the families receiving the maximum allowance the need of the family was greater than the amount of the grant. Chart I shows that in a large majority of the States more than one-fifth of the grants approved during the year equaled or exceeded the limits of Federal participation. In some States this was true of the overwhelming proportion of the grants approved within the period.

The greatest concentration of grants at the level of maximum Federal contributions is found, in general, in those States which by law limit monthly payments to the maximum that obtains for Federal matching. As indicated in table 1, 12 States with approved plans in 1937-38 set an upper limit of \$18 for the first child and \$12 for each additional child in the same home. In 6 of these States—Arizona, Colorado, Maryland, Missouri, Pennsylvania, and Wyoming—more than 50 percent of the families accepted during the year were granted the maximum allowable under the State law. The distribution of grants in Pennsylvania, where 90 percent of the families were approved for the legal maximum, contrasts strikingly with the distributions shown in chart II for other se-

lected States and for the 40 States as a group. A smaller but nevertheless substantial proportion of the grants in Idaho, Nebraska, and North Dakota

Table 1.—Aid to dependent children: Number of families approved during the fiscal year 1937-38, average monthly grant per family, and percent of families approved for grants of less than, the same as, and more than the maximum toward which the Federal Government contributes, according to limitations specified by State law, in States with plans approved by the Social Security Board

State	Number of families approved	Average monthly grant per family	Percent of families approved for grants of—		
			Less than Federal maximum	Same as Federal maximum	More than Federal maximum
Total ¹	118,389	\$30.53	53.4	19.5	27.1
States with limitations the same as those governing Federal contribution: ²					
Arizona.....	821	33.11	48.7	51.3	-----
Colorado.....	1,428	30.16	41.3	58.7	-----
Idaho.....	957	24.66	53.8	46.2	-----
Maryland.....	3,450	28.50	47.0	53.0	-----
Missouri.....	4,238	31.47	45.0	55.0	-----
Nebraska.....	1,372	23.30	71.0	28.9	.1
New Hampshire.....	74	38.76	(³)	(³)	(³)
North Carolina.....	7,959	15.48	98.5	3.3	.2
North Dakota.....	938	33.64	66.7	33.3	-----
Oklahoma.....	6,693	15.23	97.7	2.3	-----
Pennsylvania.....	5,202	33.90	10.5	89.5	-----
Wyoming.....	125	29.04	49.6	50.4	-----
States with limitations different from those governing Federal contribution: ⁴					
California.....	4,347	34.11	41.6	5.7	52.7
Indiana.....	7,462	25.51	55.7	7.1	37.2
Minnesota.....	2,058	34.22	42.6	3.9	63.5
New Jersey.....	3,003	30.66	56.7	19.8	23.5
South Carolina.....	4,165	20.10	100.0	-----	-----
Tennessee.....	10,686	18.05	100.0	(⁵)	(⁵)
Vermont.....	69	32.91	(⁵)	(⁵)	(⁵)
West Virginia.....	3,387	20.98	100.0	-----	-----
States without limitations:					
Alabama.....	3,154	20.79	76.6	20.6	2.8
Arkansas.....	1,166	10.90	99.8	.1	.1
Delaware.....	182	30.73	30.3	62.6	7.1
District of Columbia.....	392	49.28	33.1	2.6	64.3
Georgia.....	4,752	21.36	83.3	16.4	.3
Hawaii.....	360	31.49	72.7	1.7	25.6
Kansas.....	4,845	27.97	62.4	11.6	26.0
Louisiana.....	4,248	18.73	84.5	8.5	7.0
Maine.....	850	38.15	50.3	16.6	33.1
Massachusetts.....	3,393	55.08	12.0	5.9	82.1
Michigan.....	6,153	31.30	64.1	2.7	43.2
Montana.....	1,454	27.13	49.1	50.3	.6
New Mexico.....	584	26.01	84.7	2.0	12.7
New York.....	7,954	40.16	17.0	2.4	80.6
Ohio.....	3,312	42.17	42.8	13.8	43.4
Oregon.....	1,110	37.15	35.4	14.7	49.9
Rhode Island.....	245	45.20	19.6	17.1	63.3
Utah.....	1,241	30.61	50.1	25.1	24.8
Washington.....	1,688	23.74	28.7	71.3	0
Wisconsin.....	3,174	33.63	50.6	11.3	38.1

¹ Computations based on distribution which has been adjusted so that each State has the same proportionate representation as in the total case load of June 30, 1938.

² Maximum in these States is \$18 for first child and \$12 for each additional child.

³ Not computed because base figure is too small.

⁴ Maximum is as follows: California, \$20 for each child; Indiana, \$20 for first child, \$18 for second child, and \$12 for each additional child; Minnesota, \$20 for first child and \$15 for each additional child, South Carolina, \$15 for first child and \$10 for each additional child; Tennessee and West Virginia, \$12 for first child and \$8 for each additional child. In Vermont assistance is limited to \$4 a week for each child, and in New Jersey to an amount not to exceed cost of care in approved child-caring institution.

⁵ Less than 0.1 percent.

Table 2.—Aid to dependent children: Percent of families approved during the fiscal year 1937-38 for grants equal to maximum toward which the Federal Government contributes and percent equal to State maximum, in States with limitations other than those governing Federal contribution ¹

State	Number of families approved	Percent of families approved for grants equal to—	
		Federal maximum	State maximum
California.....	4,347	5.7	40.1
Indiana.....	7,462	7.1	31.2
Minnesota.....	2,058	3.9	44.3
South Carolina.....	4,165	24.5
Tennessee.....	10,686	(²)	28.9
West Virginia.....	8,387	44.1

¹ Maximum is as follows: California, \$20 for each child; Indiana, \$20 for first child, \$18 for second child, and \$12 for each additional child; Minnesota, \$20 for first child and \$15 for each additional child; South Carolina, \$15 for first child and \$10 for each additional child; Tennessee and West Virginia, \$12 for first child and \$8 for each additional child. In New Jersey grants are limited to an amount not to exceed cost of care in approved child-caring institution; data are not available on the number equaling this maximum. In Vermont, where assistance is limited to \$4 a week for each child, too few families were accepted during the year to supply a significant distribution.

² Less than 0.1 percent.

were at the maximum. In these States the proportion varied between 29 percent in Nebraska and 46 percent in Idaho. It seems likely that in most of the States limiting payments to the level of Federal contributions a large proportion of the grants were lower than they would have been in the absence of existing limitations. On the other hand, it is evident that in North Carolina and Oklahoma, where the great bulk of grants fell below the maximum allowable, the limitations on grants were of minor significance.

The tendency for grants to cluster about the maximum amounts permitted by State laws is likewise characteristic of the distributions in the States which limit monthly payments to amounts other than the maximum toward which Federal contributions are available. In 1937-38 there were 8 States with such limitations. California, Indiana, and Minnesota had higher maximum payments than those governing Federal participation. Table 2 shows that in each of these States the proportion of grants equal to the Federal maximum was small, while a large proportion of the families accepted during the year were to receive the State maximum. The distribution in Indiana, in which 31 percent of the grants were approved for the State maximum, is shown in chart II. In California and Minnesota the proportion was even higher—40 and 44 percent, respectively.

The State laws of South Carolina, Tennessee, and West Virginia specified a lower limit on grants than that on which Federal contributions are based. In these States a substantial share of the grants were approved for the maximum amount, with the proportion ranging between 25 percent in South Carolina and 44 percent in West Virginia.

New Jersey and Vermont also had limitations on the amount of grant, but these States are not included in table 2. In New Jersey assistance is limited to an amount not to exceed the cost of care in an approved child-caring institution. This cost, of course, varies from one locality to another within the State, and data on the proportion of grants equal to such maximum amounts are not available. About a fifth of the grants approved in New Jersey coincided with the Federal maximum, while a somewhat larger share exceeded that level. In Vermont, where the maximum payment is \$4 a week for each child, too few families were accepted during the year to permit a significant analysis of the distribution of grants.

More than a third of the grants approved in the 20 States without maximum limitations on payments were above the limitations on Federal participation. In 12³ of these States at least 25 percent of the families accepted were to receive amounts larger than the Federal maximum, and in Massachusetts and New York the proportion was more than 80 percent.

An examination of the grant distributions in these 20 States reveals that the maximum limit on Federal contributions influences the amounts granted in certain States which do not have legal limitations as well as in States which have adopted the Federal maximum in their own State laws. For example, Washington did not legally limit the amount of assistance, but 71 percent of its grants were concentrated at the level of maximum Federal participation, and none exceeded that level. In Delaware 63 percent of the grants equaled the Federal maximum, and in Montana 50 percent. Only 7 percent of the families accepted in Delaware were to receive grants higher than the Federal maximum and in Montana the proportion was less than 1 percent. The Federal maximum also influenced significantly the sums granted in Alabama and Georgia. In these States a con-

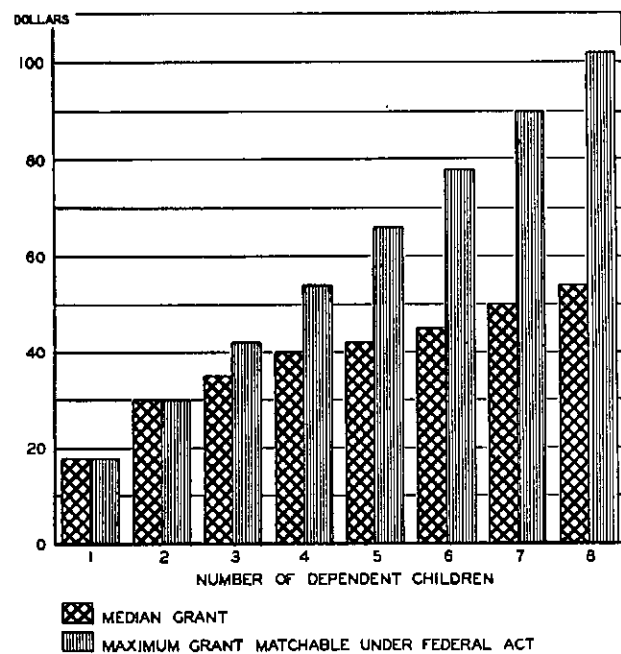
³ District of Columbia, Hawaii, Kansas, Maine, Massachusetts, Michigan, New York, Ohio, Oregon, Rhode Island, Utah, and Wisconsin.

siderable proportion of the grants were equal to the Federal maximum, while very few grants were higher.

Distribution of Grants by Size of Family

Apparently the 40 States as a group found it more difficult to meet the needs of small families than of large families within the maximums set by the Federal act, a fact which suggests that the basic level for Federal participation of \$18 for the first dependent child is at too low a level. It is estimated that 58 percent of the one-child families approved for aid to dependent children at the end of June 1938 were receiving grants which equaled or exceeded the Federal maximum, as shown in table 3. For families with two dependent children the proportion dropped to 53 percent, and for three-child families to 42 percent. A further decline occurred for each additional child, until only 13 percent of the families with 8 children were approved for grants equal to or greater than the limits of Federal participation. Thus under the

Chart III.—Aid to dependent children: Median grant compared with maximum toward which the Federal Government contributes, for families with specified number of dependent children receiving aid on June 30, 1938, in States with plans approved by the Social Security Board¹



¹ Estimated from information concerning families accepted during fiscal year 1937-38.

maximums prescribed by the Federal act it is clear that it is impossible to meet the needs of a large proportion of the families with few dependent children.

The median amount of assistance approved for families on the rolls in the 40 States at the end of the fiscal year 1937-38 was as much as the Federal maximum only for families with one or two children, as shown in chart III. For families with more than two children the median grant fell

Table 3.—Aid to dependent children: Percent of grants of less than, the same as, and more than the maximum toward which the Federal Government contributes, for families with specified number of dependent children receiving aid on June 30, 1938, in all States with plans approved by the Social Security Board

Number of dependent children in family	Number of families receiving aid to dependent children on June 30, 1938	Percent of families receiving grants of—		
		Less than Federal maximum	Same as Federal maximum	More than Federal maximum
All families ¹	246,317	53.4	19.5	27.1
1 child.....	80,878	42.2	25.0	32.8
2 children.....	67,609	47.1	22.1	30.8
3 children.....	44,395	58.4	16.4	25.2
4 children.....	25,874	67.9	13.0	19.1
5 children.....	14,796	76.8	9.6	13.6
6 children.....	7,617	81.4	7.1	11.5
7 children.....	3,401	86.3	6.5	7.2
8 children.....	1,189	87.1	3.1	9.8

¹ Estimated from information concerning families accepted during fiscal year 1937-38.

² Includes 558 families having 9 or more dependent children.

below the Federal limits, with the disparity becoming greater for each additional child. In 25 States the median grant for one-child families accepted in 1937-38 equaled or exceeded the Federal maximum, and in 21 States this was true of the median grant for two-child families. The number of States with a median grant equal to or above the limits on Federal participation fell off rapidly as the families increased in size. For three-child families the median grant equaled or exceeded the Federal limitation in 13 States, and for families with four children the number of States dropped to five. Only Massachusetts, New York, and Pennsylvania had median amounts of assistance at or above the Federal maximum for families with five children, and only Massachusetts and Pennsylvania for those with six children.

Examination of table 4 reveals that in most States there was a marked tendency for the increment to the median grant to drop sharply for

additional children beyond the second or third child. This tendency was exhibited even in those States with the highest median grants for smaller families. California, the District of Columbia, Massachusetts, Minnesota, New York, Oregon, and Rhode Island all had median grants for one- and two-child families in excess of the Federal maximum. The increment to the median for the third child amounted to \$12 or more in the District of Columbia, Massachusetts, New York, and Rhode Island, but in none of the seven States was the increment for the fourth, fifth, and sixth child as much as the \$12 increase for each child in the Federal matching limit.

Implications of Grant Distributions

That the maximum amounts which may be considered in making Federal grants-in-aid to the States are too low has been amply demonstrated by the experience of the States. A majority of the States without limitations made assistance payments higher than the Federal maximum to a substantial proportion of the families they accepted. This was true also in the 3 States with maximum payments above the Federal limitations. Most of the States limiting grants to the Federal maximum found it necessary to award the maximum amount allowable to a large proportion of the families approved for assistance. The existing

Table 4.—Aid to dependent children: Median amount of monthly grants initially approved for families with specified number of dependent children accepted during the fiscal year 1937-38, in States with plans approved by the Social Security Board

State	Median amount ¹ of monthly grants for families with specified number of dependent children						
	Total	1 child	2 children	3 children	4 children	5 children	6 children
Total ²	\$25	\$18	\$30	\$35	\$40	\$42	\$46
States with limitations the same as those governing Federal contribution: ³							
Arizona.....	30	18	30	40	44	50	55
Colorado.....	30	18	30	42	45	50	55
Idaho.....	20	18	30	30	36	40	(⁴)
Maryland.....	25	18	30	39	44	47	44
Missouri.....	30	18	30	40	47	50	50
Nebraska.....	18	15	23	30	39	42	45
New Hampshire.....	30	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
North Carolina.....	15	10	12	15	20	20	20
North Dakota.....	30	18	26	37	45	50	54
Oklahoma.....	14	9	14	18	22	24	28
Pennsylvania.....	30	18	30	42	54	68	78
Wyoming.....	30	18	26	42	(⁴)	(⁴)	(⁴)
States with limitations different from those governing Federal contribution: ⁴							
California.....	30	20	37	45	53	50	60
Indiana.....	20	18	29	36	44	50	60
Minnesota.....	35	20	35	43	60	55	60
New Jersey.....	30	18	30	41	50	60	70
South Carolina.....	18	15	20	20	25	25	25
Tennessee.....	17	12	16	20	22	25	28
Vermont.....	26	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
West Virginia.....	20	12	20	24	27	30	32
States without limitations:							
Alabama.....	18	17	18	18	25	20	23
Arkansas.....	12	8	10	12	12	12	12
Delaware.....	30	18	30	42	(⁴)	(⁴)	(⁴)
District of Columbia.....	50	25	41	53	59	64	(⁴)
Georgia.....	18	13	16	21	25	29	32
Hawaii.....	28	17	26	30	30	38	35
Kansas.....	27	18	27	33	35	40	40
Louisiana.....	16	14	16	18	20	20	20
Maine.....	35	18	30	40	50	50	(⁴)
Massachusetts.....	64	40	53	65	74	80	90
Michigan.....	20	23	28	34	38	41	45
Montana.....	25	18	30	36	42	48	45
New Mexico.....	26	16	22	27	30	33	(⁴)
New York.....	43	38	50	64	70	75	77
Ohio.....	40	18	35	42	50	60	60
Oregon.....	36	23	34	42	49	59	(⁴)
Rhode Island.....	47	30	42	54	60	(⁴)	(⁴)
Utah.....	30	18	30	37	42	45	45
Washington.....	29	18	30	42	51	59	57
Wisconsin.....	30	18	30	40	48	50	57

¹ Figure given is the lower limit of the dollar interval in which the median falls.

² Medians based on distribution which has been adjusted so that each State has the same proportionate representation as in the total case load of June 30, 1938.

³ Maximum in these States is \$18 for first child and \$12 for each additional child.

⁴ Not computed because base figure is too small.

⁵ Maximum is as follows: California, \$20 for each child; Indiana, \$20 for first child, \$18 for second child, and \$12 for each additional child; Minnesota, \$20 for first child and \$15 for each additional child; South Carolina, \$15 for first child and \$10 for each additional child; Tennessee and West Virginia, \$12 for first child and \$8 for each additional child. In Vermont assistance is limited to \$4 a week for each child, and in New Jersey to an amount not to exceed cost of care in approved child-caring institution.

limits on Federal contributions also have tended to scale down monthly payments in a number of States in which legal limitations are lacking.

The Social Security Board has recognized the inadequacy of the present maximum governing Federal contributions in its recommendation that the level of individual payments toward which the Federal Government contributes be raised substantially. The adoption of a higher limit would provide Federal participation in the amounts in excess of \$18 for the first child and \$12 for each

additional child which are at present defrayed entirely from State or from State and local funds. It also would probably induce many of the States limiting their grants to the present Federal maximum to raise or to abolish the limitations they now have. The necessity for supplementing grants for aid to dependent children from other assistance funds—a widespread practice in some States limiting the amount of payments—would be largely obviated.