

TRENDS, LEVELS, AND DEMANDS FOR PUBLIC ASSISTANCE FUNDS¹

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Outlays for public assistance programs have grown in Oklahoma, as well as in other states, and are an increasing financial burden to states as well as to the federal government. One objective of this study was to obtain data on the levels and trends in public assistance in Oklahoma, and to compare Oklahoma levels and trends with those of other states in the region and in the nation as a whole.

A major concern of the public is that higher welfare payment rates may increase welfare rolls. A second objective of this study was to test the hypothesis that higher public assistance rates do, in fact, raise participation rates.

Present public assistance programs have evolved, to a large extent, from the Social Security Act of 1935. Under this act, as amended, federal funds are available to states for maintenance of four supplemental income programs, *viz.*, Old Age Assistance (OAA), Aid to the Blind (AB), Aid to the Permanently and Totally Disabled (APTD), and Aid to Families with Dependent Children (AFDC). To qualify for federal funds, a state must submit for approval a plan setting forth specified operational aspects of its public assistance program. Though this plan must meet federal guidelines, the states are left considerable latitude concerning organization, eligibility requirements, and payment rates. Thus, public assistance programs vary considerably among the states.

In addition to the four federally assisted programs, most states also maintain a General Assistance (GA) program for needy persons who do not qualify under one of the other programs. The GA program may be financed and administered by the state, by a locality, or by a combination of the two. It receives no federal funds.

This paper is concerned with the five major public assistance programs, *i.e.*, Aid to the Blind (AB), Aid to Families with Dependent Children (AFDC), Aid to the Permanently and Totally Disabled (APTD), Old Age Assistance (OAA), and General Assistance (GA).

ANALYSIS

The comparative study of the eight-state region included Oklahoma, Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, and Texas. Oklahoma's rank in each of the five programs is shown in Table 1.

In the eight-state region, Oklahoma ranked highest in payment rates in only one program (APTD) in 1950 and in no program in 1968. Oklahoma ranked higher in participation rates than in payment rates in 1950. By 1968 Oklahoma had dropped to third from the top in the two major programs (OAA and AB) in which it has been second and first in participation rate in the region in 1950.

Expenditures per capita of state population for all five programs were as follows: Oklahoma \$35 (1950), \$57 (1968); Louisiana \$37 (1950), \$50 (1968); Colorado \$36 (1950), \$46 (1968); Arkansas \$14 (1950), \$42 (1968); Missouri \$26 (1950), \$36 (1968); New Mexico \$12 (1950), \$33 (1968); Kansas \$17 (1950), \$24 (1968); and Texas \$13 (1950), \$22 (1968). Thus Oklahoma increased its overall ranking from third to first place in the eight-state region in per capita outlays under the five welfare programs between 1950 and 1968. In 1968, Oklahoma's assistance per capita under the five programs was considerably above the regional and national averages which were both \$34 per capita that year. Oklahoma's annual increase in welfare expenditures under the five programs, 2.8% was considerably under the national rate of increase, which was 4.6%. Personal per capita income in Oklahoma and the United States rose about 2.3% annually during the

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period. Thus, the state's rate of gain in welfare outlays was only a little above the rate of gain in income, whereas the national rate of gain in welfare was twice the rate of gain in personal income.

Assistance expenditures in Oklahoma failed to match the rate of increase in state budget, a fact which suggests that, despite the much talked about rising costs of welfare, public assistance programs are a decreasing percentage of state expenditures.

To test the hypothesis that higher assistance rates raise participation rates, the participation rates were regressed on payment rates in a least squares equation, using 1967 data for the 50 states. Socio-economic variables, program specification variables, and eligibility requirement variables were included in the equation in order that the net effect of payment rates on participation rates could be observed.

Potential determinants of the participation rate included: per capita income; percentage of metropolitan population; percentage of Negro population; migration rate for whites; migration rates for Negroes; living costs; per capita OASDHI (Social Security) payments; unemployment rates; residence requirements; level of government (state or local) at which eligibility of applicant is determined; property requirements; eligibility requirements concerning age, school attendance, suitable homes, and work; availability of payments to unborn children and unemployed par-

ents; percentage of population below 18 years of age; restriction of alms solicitation; per capita OASDHI payments; percentage of population over 65 years of age. Participation rate was defined to be number of recipients divided by population.

Of the variables used to explain participation rates, only eleven were significant in explaining rates in any program. (Equations determined and a more detailed discussion of results are presented in AGE 7029, Department of Agricultural Economics, Oklahoma State University.) Only three variables, *i.e.*, percentage of Negro population, per capita income, and percentage of population aged 65 and over, appeared to be more than one equation. Of the eligibility requirements unique to AFDC programs, none proved statistically related to participation rates.

The lack of common factors to explain participation rates among programs would be expected if it is assumed that each program is intended to serve a particular class of needy persons.

Payment rate was not a significant variable in explaining participation rates in any of the five programs. Thus, there was no statistical evidence that higher payment rates increase the number of persons on welfare programs. The statistical analysis was based on cross-sectional data from the 50 states and did not test for a long-run response of participation rate to higher payment rates.

TABLE 1. Rank of Oklahoma in public assistance programs compared to that of adjacent states in the eight-state region.

Program ^a	1950		1968		Annual Increase 1950-1968	
	Pay- ment rate	Partic- ipation rate	Pay- ment rate	Partic- ipation rate	Pay- ment rate	Partic- ipation rate
OAA	2	2	4	3	7	4
AB	3	1	2	4	3	3
APTD ^b	1	2	2	1	7	2
AFDC	5	3	3	3	2	6
GA	7	3	3	5	3	7

^a OAA, Old Age Assistance; AB, Aid to the Blind; APTD, Aid to the Permanently and Totally Disabled; AFDC, Aid to Families with Dependent Children; GA, General Assistance.

^b 1960 data used for 1950.