

# Notes and Brief Reports

## Initial Effects of the 1956 Amendments on Public Assistance Money Payments\*

For all States except Puerto Rico and the Virgin Islands, the Social Security Amendments of 1956 raised the maximum on assistance payments in which the Federal Government will share, effective October 1, 1956, from \$55 to \$60 for recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled. The formula for determining the Federal share of payments, formerly four-fifths of the first \$25 of the average payment per recipient plus one-half the balance within the maximum, was changed to four-fifths of the first \$30 of the average payment plus one-half the remainder of the matchable portion. In the program of aid to dependent children, maximums were raised from \$30 for a needy adult caring for the children, \$30 for the first child in the family, and \$21 for each additional child to \$32, \$32, and \$23, respectively. Under the formula in effect before October 1956, the Federal share of payments in this program was four-fifths of the first \$15 of the average per person plus one-half the balance within the maximums; it is now fourteen-seventeenths of the first \$17 of the average per person plus one-half the remainder of the matchable portion.

The Federal financial share of public assistance expenditures is lower for Puerto Rico and the Virgin Islands than for other States, and in addition there is a maximum on the annual amount of Federal funds each of these two jurisdictions can receive. The 1956 amendments raised by 25 percent the annual maximums on Federal funds for these jurisdictions and extended Federal sharing in payments made under the program of aid to dependent children to needy relatives with whom the children live,

but they did not change the matching formulas. Puerto Rico and the Virgin Islands are excluded from the following analysis since they were not affected in the same way as other States.<sup>1</sup>

Since September 1950, maximums and matching formulas have applied to the total of (1) money payments to recipients and (2) any vendor payments made in their behalf for medical care. The new maximums and formulas will be applied on that basis up to July 1, 1957, when they will apply only to the money payment and the Federal share of vendor payments for medical care will be determined under a separate matching formula. Except for a 9-month period, therefore, the new maximums and formulas will be applicable only to money payments. For that reason, the analysis of the initial effects of the amendments is limited to the effects on money payments.

The new provisions made it possible for the States to increase by \$3-\$4 a month payments for the needy aged, blind, and disabled and by \$1-\$2 per person the amounts paid in aid to dependent children, without spending more from State and local funds per recipient than they had before October 1956. Such increases, however, were not automatic. To effect widespread increases in payments, some type of action on the part of a State agency is always necessary. For States with maximums, an increase in their maximums results in higher payments to most recipients receiving the maximum amounts since such amounts are usually exceeded by the recipients' needs. For recipients receiving payments at less than the maximums, and for States without individual payment maximums, payments can be raised by increasing the amounts included in assistance standards for specified items or by adding items to the stand-

<sup>1</sup> Effective for the month of December, Puerto Rico, for the program of aid to dependent children, raised from 28 percent to 33 percent the proportion of requirements met by assistance payments plus other income; the Virgin Islands was unable to make any liberalizations.

**Table 1.—Special types of public assistance: Number of States making specified type of program liberalizations,<sup>1</sup> by program, July-December 1956**

Type of change	Number of States			
	Old-age assistance	Aid to dependent children	Aid to the blind	Aid to the permanently and totally disabled
Total <sup>2</sup> .....	45	42	42	36
Usual maximum raised.....	20	22	17	17
Items added to assistance standards.....	13	10	14	9
Assistance cost standards raised.....	31	28	29	25
Other liberalization.....	16	16	16	12

<sup>1</sup> Excludes Puerto Rico and the Virgin Islands.  
<sup>2</sup> Number of States making changes; total is less than sum of items because some States made more than one type of change.

ards. In States that make percentage cuts in total requirements or in requirements after income is taken into account, payments can be raised by eliminating such cuts or making them less stringent.

The following analysis is based on actions taken by States from July 1, 1956, to December 31, 1956, to increase assistance payments.<sup>2</sup> This 6-month period was used because some State agencies that did not make changes on or after the effective date of the amendments (October 1) undoubtedly would have done so had it not been for changes they made in the months immediately preceding that date. In some instances, measures taken by State agencies were effective for all cases in October, November, or December. In a few States, however, increases are being made as cases are reviewed for continuing eligibility, and in these States the full effect of the amendments on average payments may not be reflected for some time. A September-December comparison of averages therefore reflects most, but not all, of the effects the amendments have had on money payments to recipients of assistance.

<sup>2</sup> Data are from a special report submitted by all State agencies. Changes in policy or practice that were not the direct or indirect results of the amendments were identified in the report.

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In old-age assistance, 45 States made some changes in policy or practice during the 6-month period for the purpose of increasing assistance payments (table 1). Of the 37 States with maximums on payments, 20 raised them; increases in two States were not related to the amendments. Some States could make no change without legislative action. Before October 1, the usual maximums in 14 States were the same as or less than the Federal limits on matching; changes were made in 11 States, but none brought the amounts above the new Federal maximum. In some States maximums are high enough to have a limiting effect on relatively few payments.

Items were added to the standards of assistance for old-age assistance in 13 States, and cost figures were raised for one or more items already in the standards in 31 States. The amendments had no influence, however, on the addition of items in six States and on changes in cost amounts in eight States. Other measures to liberalize payments were made in 16 States; in 12 the changes were related to the amendments.

The number of States with specified changes from September to December in the average money payment per recipient of old-age assistance, aid to the blind, and aid to the permanently disabled is shown in the following tabulation.

Amount of change	Number of States		
	Old-age assistance	Aid to the blind	Aid to the permanently and totally disabled
Total <sup>1</sup>	51	51	44
Payments increased:			
\$5.00 or more	2	4	2
4.00-4.99	5	4	5
3.00-3.99	8	8	7
2.00-2.99	11	9	5
1.00-1.99	9	9	9
Less than \$1.00	11	9	12
No change in payments	0	1	1
Payments decreased	5	7	3

<sup>1</sup> Excludes Puerto Rico and the Virgin Islands.

As a result of the various types of action taken by State agencies, the national average money payment for

old-age assistance increased \$2.47 from September to December. This change represented the net effect of higher payments in 46 States and slightly lower payments in five. The greatest increase was \$8.34, but the largest decrease was only \$0.51. Average money payments increased more than \$5.00 in Alabama and Hawaii;

in 13 other States the average went up more than \$3.00 (table 2).

Declines in average money payments for old-age assistance were, in general, the result of normal fluctuations rather than changes in policy or procedure that would tend to produce lower payments.

The difficulty of evaluating all

Table 2.—Special types of public assistance: Average money payment, December 1956, and amount of change, September-December 1956, by program and State

State	Old-age assistance		Aid to dependent children (per recipient)		Aid to the blind		Aid to the permanently and totally disabled	
	December 1956	Change, September-December 1956	December 1956	Change, September-December 1956	December 1956	Change, September-December 1956	December 1956	Change, September-December 1956
Total	\$53.26	+\$2.43	\$24.80	+\$1.07	\$59.99	+\$1.72	\$50.70	+\$1.50
Total, 51 States <sup>1</sup>	54.06	+2.47	26.22	+1.06	60.85	+1.75	54.25	+1.58
Alabama	39.38	+6.53	9.18	-1.49	33.42	-.52	31.94	-2.86
Alaska	58.28	-.16	29.19	+4.41	71.03	-.15		
Arizona	55.66	-.06	25.23	-1.11	64.58	-.39		
Arkansas	35.94	+2.69	14.83	+ .02	41.93	+2.25	31.88	+ .05
California	74.62	+4.34	38.54	+2.51	90.67	+3.83		
Colorado	95.26	+3.57	29.33	+ .31	65.97	-.26	59.34	+ .53
Connecticut	72.66	-.51	36.62	-.79	81.71	-1.97	85.93	+ .73
Delaware	49.30	+3.88	22.83	+ .96	68.24	+4.35	60.81	+4.22
Dist. of Col.	52.63	+ .24	24.89	+ .20	60.70	+ .34	61.92	+ .50
Florida	47.89	+ .72	16.23	+ .70	51.99	+2.57	51.25	+3.11
Georgia	42.60	+4.17	22.42	+1.80	47.87	+4.27	46.75	+4.33
Hawaii	46.78	+8.34	28.29	+4.13	57.87	+6.98	56.60	+7.29
Idaho	60.49	+4.90	38.00	+2.54	68.81	+5.84	66.19	+4.48
Illinois	43.30	+ .22	33.02	+ .39	53.22	+ .24	49.84	+ .28
Indiana	39.62	+1.06	24.78	+1.22	53.75	+ .25		
Iowa	68.04	+4.10	32.89	+1.62	82.22	+5.04		
Kansas	63.64	+2.99	30.48	+2.16	70.41	+3.17	65.55	+3.39
Kentucky	38.64	+2.97	19.66	+2.06	39.78	+2.76	29.98	+7.31
Louisiana	63.27	+2.48	19.54	+1.13	74.22	-1.39	47.07	+1.14
Maine	48.53	+2.28	25.09	+1.63	53.89	+2.84	55.14	+3.04
Maryland	49.71	+1.48	24.02	+ .28	55.29	+1.27	57.52	+ .88
Massachusetts	59.05	-.42	36.91	-.45	103.25	+1.06	63.02	+1.46
Michigan	61.33	+2.41	36.34	+2.96	69.40	+2.21	80.09	+1.85
Minnesota	46.61	+1.33	34.90	+1.96	54.85	+1.73	50.70	+1.03
Mississippi	28.82	-.07	7.49	-.01	38.82	-.07	24.61	0
Missouri	54.68	+4.85	22.15	+2.22	60.00	0	57.11	+4.92
Montana	60.94	+2.72	31.33	+1.25	67.86	+1.66	68.37	+2.25
Nebraska	52.87	+ .01	26.91	-.09	65.43	+ .24	56.36	+ .35
Nevada	63.40	+3.11	27.18	+1.35	79.37	+4.78		
New Hampshire	50.69	+ .74	33.13	+ .73	58.45	+1.79	58.26	-.44
New Jersey	78.68	+3.72	37.66	+1.94	76.82	+6.47	90.59	+4.02
New Mexico	47.33	+ .17	23.71	+ .15	50.79	+ .59	49.32	+ .17
New York	65.90	+1.30	36.05	+ .86	76.64	+2.04	71.26	+2.46
North Carolina	34.08	+2.07	17.17	+1.06	44.83	+3.19	38.33	+ .61
North Dakota	57.81	+3.51	32.28	+2.11	60.67	+3.60	61.58	+3.94
Ohio	57.87	+ .38	24.92	+1.65	56.88	+ .76	53.73	+3.29
Oklahoma	66.69	+2.32	24.86	+ .06	80.88	+2.57	58.99	+ .17
Oregon	61.31	+1.76	36.47	+1.07	73.92	+2.85	72.85	+1.41
Pennsylvania	46.53	+2.23	28.51	+1.15	59.56	+ .08	54.16	+2.36
Puerto Rico	7.94	-.03	3.68	+ .55	7.90	-.10	8.64	-.06
Rhode Island	59.47	+1.23	30.48	+ .54	68.51	+1.85	69.33	+1.27
South Carolina	36.86	+3.38	14.29	+2.00	41.68	+3.46	34.91	+3.06
South Dakota	46.86	+1.68	25.05	-.11	47.40	+1.65	48.22	+1.78
Tennessee	34.56	+ .27	17.40	+ .10	40.32	+ .16	39.16	+ .07
Texas	44.81	+2.95	17.32	+1.41	48.82	+3.01		
Utah	60.96	+ .15	32.32	-.05	67.10	+1.57	67.09	+1.07
Vermont	49.98	+ .29	25.97	+3.06	53.11	+4.41	50.21	-.15
Virgin Islands	18.02	-.01	9.23	+ .31	( <sup>2</sup> )	( <sup>2</sup> )	19.29	+ .39
Virginia	32.46	+1.13	17.89	+ .68	38.97	+ .85	40.52	+1.45
Washington	66.70	+3.03	32.60	+1.37	84.96	+3.39	75.34	+2.88
West Virginia	30.22	+1.83	22.10	+1.35	34.50	+2.14	33.54	+2.07
Wisconsin	53.66	+ .39	38.12	+1.07	60.93	+1.02	66.80	+ .46
Wyoming	61.96	+3.41	33.56	+2.32	66.28	+3.76	63.62	+3.63

<sup>1</sup> Excludes Puerto Rico and the Virgin Islands. <sup>2</sup> Not computed; less than 50 recipients.

State actions in terms of their effective dates and in relation to the effect of the amendments may be illustrated by the situation in Massachusetts. Cost standards were raised, effective July 1, 1956, under usual procedures. Adjustments in assistance payments were made during July and August, and all increases were retroactive to July 1. The June-September increase in the average money payment to recipients of old-age assistance was \$2.90. From September to December, however, there was a decrease of \$0.42. In November 1956 a new State law made eligible for old-age assistance aliens who had lived in the State for 20 years. This change broadened coverage of the program instead of altering the basis on which payments were made. The effective date of the more liberal residence requirement was later than that of the amendments to the Federal law; the change in cost standards was earlier. Neither change was related to the amendments, yet if the change in cost standards had not been made before the amendments to the Social Security Act were enacted, a change of some sort probably would have been made after the amendments.

In the program of aid to dependent children the average money payment per family rose \$4.21 from September to December. The average change per recipient was \$1.06 (table 2). The following tabulation shows the number of States with specified changes from September to December in the average money payment per recipient.

Amount of change	Number of States
Total <sup>1</sup> .....	51
Payments increased:	
\$3.00 or more.....	3
2.00-2.99.....	9
1.00-1.99.....	17
Less than \$1.00.....	14
Payments decreased.....	8

<sup>1</sup> Excludes Puerto Rico and the Virgin Islands.

Measures taken, either singly or in combination, by States to effect the increases in payments for aid to dependent children were similar to those for the program of old-age assistance. Twenty-two States raised maximums on payments, 10 added items to standards of assistance, 28 raised cost

standards, and 16 made other types of liberalizations. In half the States adding items to the standards of assistance, the change was not related to the amendments. With respect to the other changes, most of the States reported that the liberalizations were a direct or indirect result of the amendments.

Changes in policies or procedures similar to those for old-age assistance occurred in the programs of aid to the blind and aid to the permanently and totally disabled. Seventeen of the 35 States with maximums on payments to the blind raised their maximums; changes in two States were not related to the amendments. The average money payment per blind recipient rose \$1.75 from September to December. Payments were higher in 43 States; there were small decreases in seven States and no change in one. Increases in four States were more than \$5.00 (table 2). In the program of aid to the permanently and totally disabled, the average money payment per recipient increased \$1.58 from September to December. Forty of the States reported higher payments, with two States showing increases of more than \$5.00. Changes made in State policies and procedures to effect higher payments were similar to those for the other programs. Of the 30 States with maximums on payments to the disabled, 17 raised their maximums.

## 1956 Amendments to the Railroad Retirement Act\*

On August 7, 1956, President Eisenhower signed Public Law No. 1013. The effect of this law was to increase all present and future benefits under the Railroad Retirement Act<sup>1</sup> by 10 percent, retroactively to July 1, 1956, with two exceptions—benefits affected by the “old-age and survivors insurance minimum guarantee” provision and those retirement benefits computed under the “average monthly compensation” minimum.

\* Prepared by John A. MacDougall, Division of the Actuary, Office of the Commissioner.

<sup>1</sup> See Robert J. Myers and John A. MacDougall, “The Railroad Retirement Act in 1954,” *Social Security Bulletin*, February 1955.

A small number of those beneficiaries with benefits paid under the old-age, survivors, and disability insurance minimum guarantee provision did receive an increase of less than 10 percent. This small group is made up of so-called borderline cases. These are cases for whom the change in the railroad retirement formula increased their benefits slightly above the amounts provided by the minimum guarantee provision. Few of the spouse's benefits paid under the Railroad Retirement Act were increased by these amendments, since they cannot be greater than the maximum payable under old-age, survivors, and

Table 1.—Illustrative monthly retirement annuities under the Railroad Retirement Act, as amended in 1956<sup>1</sup>

Average monthly compensation	Amount of annuity	
	Nonmarried worker	Married worker
10 years' service		
\$100.....	<sup>2</sup> \$26.60	<sup>2</sup> \$39.90
150.....	<sup>2</sup> 38.00	<sup>2</sup> 57.00
200.....	45.60	68.40
250.....	53.20	79.80
300.....	60.80	91.20
350 <sup>3</sup> .....	68.40	102.60
20 years' service		
\$100.....	<sup>2</sup> \$53.20	<sup>2</sup> \$79.80
150.....	76.00	114.00
200.....	91.20	136.80
250.....	106.40	159.60
300.....	121.60	175.90
350 <sup>3</sup> .....	136.80	191.10
30 years' service		
\$100.....	\$79.80	\$119.70
150.....	114.00	168.30
200.....	136.80	191.10
250.....	159.60	213.90
300.....	182.40	236.70
350 <sup>3</sup> .....	205.20	259.50
40 years' service		
\$100.....	\$106.40	\$159.60
150.....	152.00	206.30
200.....	182.40	236.70
250.....	212.80	267.10
300.....	243.20	297.50
350 <sup>3</sup> .....	273.60	327.90

<sup>1</sup> Annuities would also be computed on the basis of the old-age, survivors, and disability insurance minimum guarantee, but in relatively few cases would this procedure result in an increase.

<sup>2</sup> The minimum annuity provision would be applicable for persons with “current connection” and would yield larger amounts than those shown. In such cases this provision would raise the benefits for a 10-year man to approximately those shown for a man with average monthly compensation of \$200 and benefits for a 20-year man to those for a man with \$150.

<sup>3</sup> All services must be after June 30, 1954.