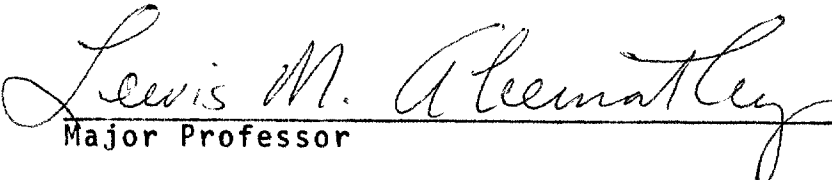
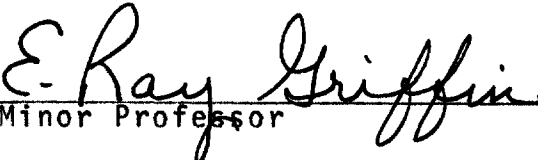


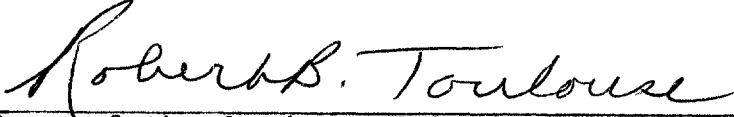
TEXAS PUBLIC WELFARE ASSISTANCE FOR AID  
TO FAMILIES WITH DEPENDENT CHILDREN:  
ANALYSIS AND PROJECTIONS

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Menefee, John A., Texas Public Welfare Assistance for Aid to Families with Dependent Children: Analysis and Projections. Master of Arts (Economics), August, 1971, 102 pp., 8 tables, 4 illustrations, 46 titles.

The problem with which this study is concerned is that of providing adequate Aid to Families with Dependent Children Public Assistance (AFDC) in Texas in the next decade. Expansion in social welfare, in terms of the number of people served and the scope of the services provided for them under the present Texas Welfare Statutes has created many new and difficult problems. The most critical problem has been how to serve increasing numbers of AFDC recipients within the limits of appropriated funds.

The purpose of this study is to make an overall examination of the Texas AFDC Program in relation to its structure, operation, and effectiveness. In this vein the Program is examined with regard to the Federal and State guidelines which direct and govern the Program. Specifically, the effectiveness of the Program is examined with regard to the planned budgetary appropriations and the actual costs of the Program's structure which have precipitated a rapid growth in the number of qualified AFDC recipients. These caseload increases are projected over the next decade to reveal the

positive rate of increase in terms of the number of people who are qualified for assistance and the amount of appropriated funds necessary to meet their needs. These projections serve as the basis of support for the thesis of the inadequacy of the present AFDC Program by illustrating the inability of the planned budgetary appropriations to meet the actual fiscal costs of the Program.

The method used in this study is to examine the Texas AFDC Program in relation to the legal, fiscal, and social guidelines established by Texas and Federal welfare statutes. In this discussion the Texas AFDC Program is analyzed in relation to past welfare statutes and in regard to the recent changes in the welfare laws due to State and Federal court and legislative actions. This revised structure of the AFDC is used as the basis to project the future costs and caseloads of the AFDC Program in the seventies.

In the computation of the costs and caseload projections of the AFDC Program, straight line trend analysis is used. The reason for the use of this particular projection technique is to employ the same projections technique and statistical methods that are presently being used by the Texas Welfare Department. This facilitated the use of similar data and enabled comparisons to be made between all cost and caseload figures dealing with the AFDC Program in the last twenty years, as well as in the next decade.

This study concludes that the empirical data acquired from the cost and caseload projections seem to support the thesis that the present AFDC Program is inadequate to handle the proper allocation of social welfare. This is illustrated in the failure of the present AFDC program to provide the necessary fiscal needs of AFDC recipients. The study also suggests that the social problems created by the inability of the AFDC Program to achieve its purpose may be of more importance than the fiscal problems created by financial difficulties in the next decade.

TEXAS PUBLIC WELFARE ASSISTANCE FOR AID  
TO FAMILIES WITH DEPENDENT CHILDREN:  
ANALYSIS AND PROJECTIONS

THESIS

Presented to the Graduate Council of the  
North Texas State University in Partial  
Fulfillment of the Requirements

For the Degree of

MASTER OF ARTS

By

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Denton, Texas

August, 1971

TABLE OF CONTENTS

	Page
LIST OF TABLES . . . . .	iv
LIST OF ILLUSTRATIONS. . . . .	v
Chapter	
I.    INTRODUCTION . . . . .	1
II.   STATE AND FEDERAL LAWS RELATING TO AID TO FAMILIES WITH DEPENDENT CHILDREN. . . . .	14
III.  THE CHANGING NATURE OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM IN THE SIXTIES . . . . .	36
IV.  THE NATURE OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM FOR TEXAS IN THE SEVENTIES . . . . .	63
V.   AID TO FAMILIES WITH DEPENDENT CHILDREN PROJECTIONS FOR TEXAS: 1970-1980. . . . .	75
VI.  CONCLUSION . . . . .	90
APPENDIX A . . . . .	95
APPENDIX B . . . . .	96
APPENDIX C . . . . .	98
BIBLIOGRAPHY . . . . .	99

## LIST OF TABLES

Table	Page
I.	Welfare Recipients of Money Payments Under Federally Aided Programs in the United States, 1959-1969 . . . . . 7
II.	Child Welfare Recipients in the United States, 1959-1969. . . . . 8
III.	Exemption Formula for Aid to Families With Dependent Children Recipients . . . . . 29
IV.	Caseload and Cost Projections for Aid to Families With Dependent Children in the State of Texas, 1970-1980 . . . . . 81
V.	Adjusted Caseload and Cost Projections for Aid to Families With Dependent Children in the State of Texas, 1970-1980 . . . . . 82
VI.	Aid to Families With Dependent Children Family and Child Caseloads in the State of Texas, 1951-1970. . . . . 84
VII.	Average Monthly Expenditures for Aid to Families With Dependent Children Assistance in the State of Texas, 1951-1970 . . . . . 86
VIII.	Average Monthly Payment Per Aid to Families With Dependent Children Family and Child in the State of Texas, 1951-1970 . . . . . 88

## LIST OF ILLUSTRATIONS

Figure		Page
1.	Public Assistance Money Payments by Program, June and December of Each Year, 1936 to 1969 . . . . .	9
2.	Administrative Structure of the State Department of Public Welfare Dealing with Child Welfare . . . . .	34
3.	Number of Children and Families on the Aid to Families with Dependent Children Caserolls, September 1968 Through June, 1970 . . . . .	69
4.	Average Aid to Families with Dependent Children Monthly Payments Per Child and Family, September, 1968 Through June, 1970 . . . . .	70



## CHAPTER I

### INTRODUCTION

In today's industrial economy the economic inequities produced by our system--poverty, inequality and discrimination--have become vital factors to our national well-being. In an effort to correct these inequities the concept of the welfare state--the aggregate of attempts to construct social instruments to offset the economic hazards produced by the system--has emerged.<sup>1</sup> The principle instruments employed to achieve the aims of the welfare state, security, equality, and abolition of poverty, have been public policies and expenditures. However, progress toward fulfillment of the aims of social welfare by the use of these instruments has encountered many difficulties. The hope for success, benefiting the poor as well as the general economic interests, through the social objectives of public welfare has not been achieved.<sup>2</sup>

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<sup>1</sup>David Hamilton, A Primer on the Economics of Poverty (New York, 1968), p. 94.

<sup>2</sup>For a further discussion of the shortcomings of related welfare projects see U.S., Congress, Senate, Committee on Finance, The Family Assistance Act of 1970, Committee Print, H.R. 16311, (Washington, Government Printing Office, 1970).

Public welfare--that tangle of programs for the poor, who because of age, sickness, handicaps or lack of ability and training can not get jobs--has become a "wheezy overloaded machine."<sup>3</sup> As Michael Harrington said,

Public welfare has become ineffectual because the public sector has not had the capacity to help the poor humanely, nor has the private sector had the capacity or the willingness to finance it in its present form.<sup>4</sup>

Therefore, in the world's richest country, one out of seven families lives in poverty with only one-fourth of them receiving any form of public assistance.<sup>5</sup>

#### Public Assistance for the Needy

Financial assistance was initiated with the New Deal concept of the thirties as a temporary measure to protect people from economic depression. However, in nearly every area of human wants and needs the demand for public assistance increased. Also, many public officials felt that a "decent standard of living" was a right of every man, woman, and

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<sup>3</sup>"The Welfare Mess Needs Total Reform," Life, LXIX (August 31, 1970), 28.

<sup>4</sup>Michael Harrington, The Other America (Baltimore, 1966), p. 182.

<sup>5</sup>U.S. Bureau of the Census, Consumer Income, Series P-60, No. 53 (Washington, 1967), p. 2.

child, regardless of his contribution to society. Thus, public assistance has remained as a permanent part of our economic structure and has steadily grown in magnitude and costs.

While the growth of social welfare has been rapid since its conception, it experienced explosive growth in the 1960's. The cost of social programs more than doubled in the first eight years of the sixties.<sup>6</sup> Federal outlays increased from \$25 billion to \$112 billion, resulting in social program expenditures being 43 per cent of all government expenditures as compared to 28 per cent in 1960.<sup>7</sup> These social welfare outlays accounted for more than one-third of the Federal budget, encompassing 20 per cent of the nation's total output of goods and services.<sup>8</sup> Furthermore, if the nation adopts the new massive programs such as guaranteed

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<sup>6</sup>The term "social welfare" outlays includes social insurance, education, relief, health aid, housing, and veterans benefits. See U.S. Department of Health, Education, and Welfare, Social Welfare Expenditures Under Public Programs in the United States 1929-1966, by Ida C. Merriam and Alfred N. Skalnik (Washington, Government Printing Office, 1968), p. 190. In this context social welfare refers to all forms of assistance whereas the term public welfare differs in that it refers to aid in the form of a monetary dole.

<sup>7</sup>Ibid., p. 194.

<sup>8</sup>Ibid., p. 192.

annual income and medicare for all ages, welfare costs will reach even greater heights.

The problem of providing a growing population with an ever expanding list of social services has become complex and immense. The welfare system, being a reflection of the attitudes and opinions of our society, has become immersed in conflicting opinions resulting in substantial disagreement about welfare program objectives and structures. This has become significant because, "public assistance and welfare do not operate in a vacuum; they are in large part the product of economic, social and political conditions and trends."<sup>9</sup> The result has been the emergence of an even more basic problem than the dilemma of higher social welfare costs. This has been the problem of the proper allocation of social welfare.

One should recognize that in many of our welfare efforts we have not yet come to the realization that "the one luxury which the rich can not afford is the poverty of the poor."<sup>10</sup> There exists a "culture of poverty" consisting of 25 per cent of our total population which have yet to benefit from social

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<sup>9</sup>Selma Muskin and Robert Harris, Financing Public Welfare: 1970 Projections (Chicago, 1965), p. 2.

<sup>10</sup>Hamilton, p. 117.

welfare, or even have the opportunity to participate in their own economic salvation.<sup>11</sup> Gunnar Myrdal contends that the elimination of poverty by the use of America's greatest unused resource, the poor, would constitute an investment in human capital that would more than pay for itself.<sup>12</sup> Efforts to redirect and utilize the resources of the poor have been initiated through the Economic Opportunity Act of 1964 and the WIN Incentive Plan of 1967, but both have met with only partial success.<sup>13</sup>

The most costly effort of our improper allocation of social welfare has been the considerable number of young persons who have had to start life in a condition of "inherited poverty."<sup>14</sup> Robert Lampman drew a poverty profile in the early sixties revealing that one-third of the low-income group in the United States was under eighteen years of age. In 1970, 40 per cent of the low-income group was under eighteen years of age.<sup>15</sup> As Lampman contended,

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<sup>11</sup>Harrington, p. 182.

<sup>12</sup>Hamilton, p. 119.

<sup>13</sup>Refer to references in footnote 2.

<sup>14</sup>Hamilton, p. 119.

<sup>15</sup>For a more detailed discussion of a profile of youth and poverty consult "Population Characteristics," Current Population Reports, Series P-20 No. 204 (Washington, 1970).

this is our most dangerous problem. "An enormous concentration of young people who, if they do not receive immediate help, will be the source of a kind of hereditary poverty new to American society."<sup>16</sup> It has also been to the solution of this problem that the Federal Government has initiated many new social welfare programs during the past decade which precipitated enormous costs in terms of time, effort, and funds.

The Federal Aid to Families with  
Dependent Children Program

The public assistance program concerned with the welfare of the young is Aid to Families with Dependent Children AFDC.<sup>17</sup> AFDC is one of the programs coordinated by the Health, Education, and Welfare Department for human resources services. Initiated to help low-income families, it has become the program used to supplement the needs of dependent children who do not have sufficient parental support, income, or other resources to be provided a decent standard of living. In essence, AFDC has become the basic program providing income

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<sup>16</sup>Hamilton, p. 182.

<sup>17</sup>In the remaining portion of this paper the public assistance program, Aid to Families with Dependent Children will be referred to as AFDC.

supplements to qualified children and their families as well as social services to enhance their physical and mental well-being.)

Since the enactment of the AFDC Program its social objectives have increased in magnitude and cost. The welfare caseload has risen 78 per cent in the past ten years with the number of qualified recipients increasing by over four million.<sup>18</sup> The number of children receiving public welfare services has more than doubled causing Federal costs to quadruple.<sup>19</sup> Tables I and II illustrate these increases.

TABLE I

WELFARE RECIPIENTS OF MONEY PAYMENTS UNDER FEDERALLY AIDED PROGRAMS IN THE UNITED STATES, 1959-1969\*

December of Year	Number of Recipients	Annual Percentage Change
1959	5,760,000	+ 0.9
1960	5,854,000	+ 1.5
1961	6,287,000	+ 7.4
1962	6,499,000	+ 3.4
1963	6,643,000	+ 2.2
1964	6,944,000	+ 4.5
1965	7,125,000	+ 2.6
1966	7,411,000	+ 4.0
1967	8,110,000	+ 9.4
1968	8,896,000	+ 9.7
1969	10,275,000	+15.5

\*Source: The Family Assistance Act of 1970, p. 104.

<sup>18</sup>The Family Assistance Act of 1970, p. 104.

<sup>19</sup>Ibid.

TABLE II

## CHILD WELFARE RECIPIENTS IN THE UNITED STATES, 1959-1969\*

Year	Number of Children	Annual Percentage Change	Expenditures (Millions)	
			Total	Federal Share
1959	344,500		\$184.5	\$11.9
1960	382,500	+11.0	211.1	13.0
1961	403,900	+ 5.6	224.1	13.7
1962	422,800	+ 4.7	246.0	17.8
1963	457,300	+ 8.3	267.8	26.1
1964	487,500	+ 6.6	313.0	28.8
1965	531,600	+ 9.0	352.0	34.2
1966	573,800	+ 7.9	396.2	39.7
1967	607,900	+ 5.9	452.0	45.7
1968	656,900	+ 7.9	499.7	46.9
1969	694,000	+ 5.8	559.9	46.9

\*Source: The Family Assistance Act of 1970, p. 104.

The most significant increase has been in AFDC cash payments in relation to the three other basic public assistance programs, Old Age Assistance, Aid to the Blind, and Aid to the Partially and Totally Disabled. As shown in Figure 1 AFDC expenditures have far surpassed the other assistance programs. The largest increases in AFDC expenditures have occurred since the sixties when the impact of wider knowledge and availability of assistance became apparent through Federal legislative developments, especially the Economic Opportunity Act of 1964.



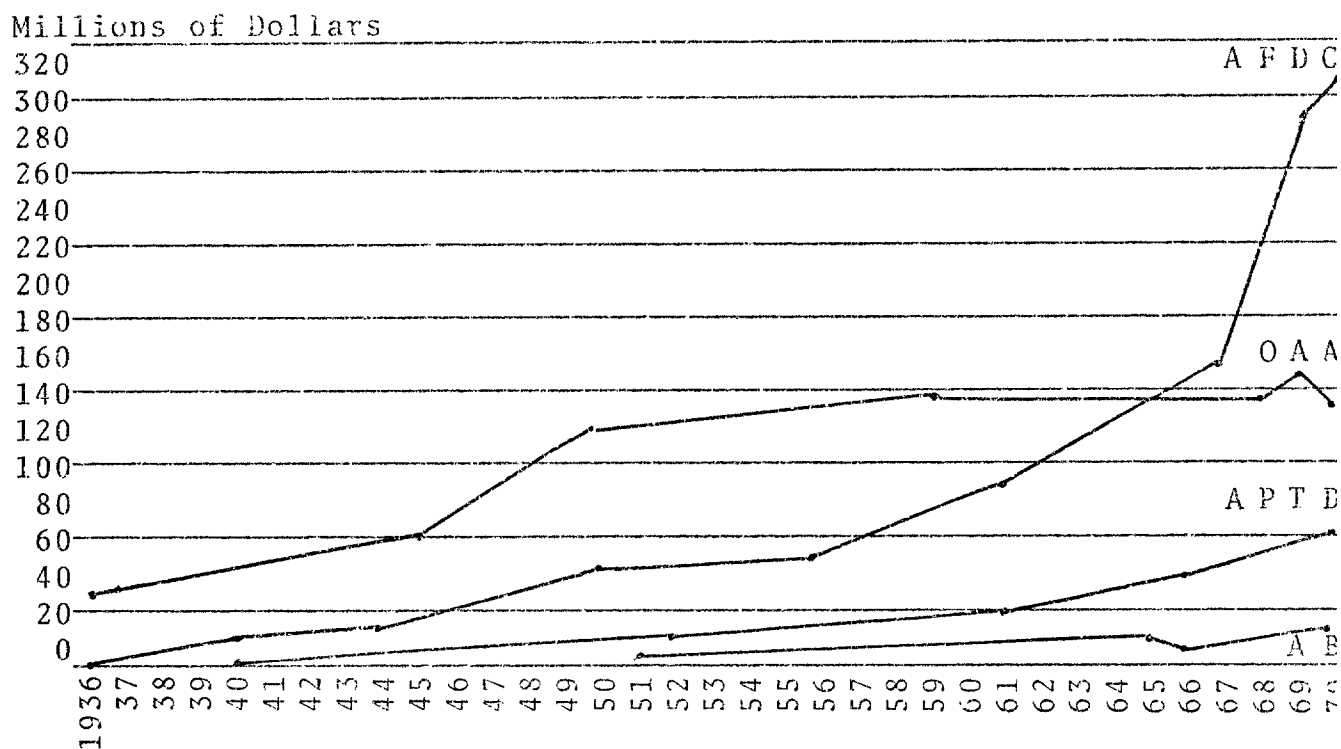


Fig. 1--Public assistance money payments by program, June and December each year, 1936 to 1969.

Source: "Public Assistance Money Payments." Welfare In Review, VIII (January-February, 1970), 43.

#### Aid to Families with Dependent Children in Texas

In Texas the plan for aid and service to families with dependent children has experienced a period of continued growth and expansion in terms of the number of people served and the scope of the services provided for them. This growth has brought new and increasing costs in the public assistance programs, challenging and testing the State's welfare procedures and structures. Texas has attempted to meet the increasing needs of AFDC through new legislation and

constitutional revision, but only temporary relief has been accomplished. Several factors including new Federal laws and regulations and action in Federal courts have caused still further increases in AFDC rolls and costs. As in 1969, the year began and ended with the problem of how to serve increasing numbers of people in AFDC within the limits of appropriated funds.<sup>20</sup> Different control factors and formulas have enabled the State to redistribute the appropriated funds; but the State has not yet devised a formula to create the necessary funds to handle the budgetary implications of AFDC in the seventies.

#### Purpose of the Study

The purpose of this study is to make an overall analysis of the Texas AFDC Program in relation to its structure, operation, and effectiveness. In this vein the Program will be examined with regard to the Federal and State guidelines which direct and govern the Program. Specifically, the effectiveness of the Program will be examined with regard to the planned budgetary appropriations and the actual costs of the Program's operation. In this discussion the operational structure will be analyzed in relation to recent legal changes

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<sup>20</sup>Department of Public Welfare Annual Report 1969  
(Austin, 1969), p. 6.

in the Program's structure which have precipitated a rapid growth in the number of qualified AFDC recipients. In this study these caseload increases will be projected over the next decade to reveal the positive rate of increase in terms of the number of people who are qualified for assistance and the amount of appropriated funds necessary to meet their needs. These projections will serve as the basis to support the thesis of the inadequacy of the present AFDC Program by illustrating the inability of the planned budgetary appropriations to meet the actual fiscal costs of the Program.

#### Scope of the Study

This study will apply only to the State of Texas and its AFDC Public Assistance Program. It will be limited to the time period beginning September, 1951, and concluding September, 1970, in relation to budgetary policies of the State of Texas, Federal regulations, court actions, and laws. The proposed projections will include the new Medicaid Program only insofar as it is considered in the State's total net expenditures.

#### Method

The method used in this study is to examine the Texas AFDC Program in relation to the legal, fiscal, and social

guidelines established by Texas and Federal welfare statutes. In this discussion the Texas AFDC Program is analyzed in relation to present welfare statutes and in regard to the recent changes in the welfare laws due to State and Federal court and legislative actions. This revised structure of the AFDC will then be used as the basis to project the future costs and caseloads of the AFDC Program in the seventies.

In the computation of the costs and caseload projections of the AFDC Program, a straight line trend analysis will be used. The reason for the use of this particular projection technique is to employ the same projection technique and statistical methods that are presently being used by the Texas Welfare Department. This will facilitate the use of similar data and will enable comparisons to be made between all cost and caseload figures dealing with the AFDC Program in the last twenty years, as well as in the next decade.

The basic source material for this study comes from the Texas Department of Public Welfare. A substantial portion has been obtained through interviews with Edwin Powers, Budget Advisor to Governor Preston Smith, and Bill Tyson and Jim Coba of the Budget Analysis Department of the Public Welfare Department. Much of the general background information was obtained from an interview with

David Spurgin, Welfare Assistant to Governor John Connally, now associated with the Texas Research League. Statistical assistance has been obtained through an interview with Herbert Grubb of the Texas Department of Economic Planning and O. C. Schucany of the Statistics Department of Southern Methodist University.

## CHAPTER II

### STATE AND FEDERAL LAWS RELATING TO AID TO FAMILIES WITH DEPENDENT CHILDREN

The concern for the welfare of every American during the late thirties was illustrated in the New Deal legislation of the period. One of the most significant measures of this period was in the area of social welfare with the enactment of the Social Security Act of 1935. This Federal legislation made assistance available to all citizens of the United States with respect to human needs in the areas of income maintenance, health, education, and housing in an effort to maintain a decent standard of living. It established three categories of public assistance: old-age assistance, aid to the blind, and aid to dependent children.<sup>1</sup> In this vein, it was the first Federal act to provide services for

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<sup>1</sup>Aid to dependent children was previously known as Mother's Aid, a state's pension program initiated in the 1920's. In 1962 it was retitled Aid to Families with Dependent Children to stress the family concept rather than the child as an isolated entity and to move toward an increased perception of the child in the context of the family. Alfred Kadushin, Child Welfare Services (New York, 1967), p. 188.

the protection of homeless, dependent, and neglected children, and has become the foundation of child welfare services in the United States.

Federal Aid to Families with Dependent  
Children Legislation

The Federal Social Security Act under Title IV established grants to states for aid and services to needy families with children, and for child welfare services. The purpose of Title IV was to enable each state to furnish assistance to families to encourage the care of dependent children in their own homes.<sup>2</sup> In compliance with the Federal guidelines established under Title IV, the administration and implementation of the grants in aid had to be through a Federally approved state plan. The state plans had to provide for the establishment of a single state agency to administer the

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<sup>2</sup>The term "dependent child" means a needy child (1) who has been deprived of parental support or care by reasons of death, continued absence from the home, or physical or mental incapacity of a parent (2) who is under 18 years of age (3) or under 21 years of age and a student regularly attending a college, university or vocational or technical training school. Public Welfare Laws Relating to Old Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, Aid to Families With Dependent Children, Child Welfare Services, and Other Welfare Services Administered By The Texas State Department of Public Welfare (Austin, 1968), p. 38.

program, financial participation by the state and for free and open consideration of all applicants in the state.<sup>3</sup>

[In the operation of the state plans for aid to dependent children, the Federal government, through the Department of Health, Education and Welfare, provides aid in the form of money payments with respect to medical care and/or any type of remedial care.<sup>4</sup> This aid is given to states in the form of grants-in-aid on a matching basis. The original financial arrangements in the bill specified for one-third of the cost, with no upper limit on the amount, to be provided by Federal contribution. The remaining two-thirds were to be supplied by the state and local governments. However, this has been changed. The Federal sum now appropriated to each state for AFDC is five-sixths of the eighteen dollars required for assistance, multiplied by the total number of qualified recipients in the states.] The

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<sup>3</sup>The states were required to "provide for granting to any individual, whose claim with respect to aid to a dependent child is denied, an opportunity for a fair hearing before the state agency"--implying that assistance was to be treated as a right. For a more detailed discussion see Public Welfare Laws, pp. 22-23.

<sup>4</sup>Public Welfare Laws, p. 29. This includes Federal payment for foster home care and community work and training programs. This does not refer to aid in kind. See Public Welfare Laws, p. 42.



Federal allotment for any expenditures which exceed the first eighteen dollars is no more than thirty-two dollars multiplied by the total number of qualified recipients.<sup>5</sup> This appropriation formula makes the Federal portion of AFDC expenditures 70 to 75 per cent, leaving the remaining 25 to 30 per cent to be covered by state and local governments.]

Federal funds are also made available under Title IV for welfare services in the state's administration of public assistance. The purpose is to establish family services to aid a family or any member thereof for the purpose of "Preserving, rehabilitating, reuniting or strengthening the family in an effort to attain or retain capability for maximum self-support and personal independence."<sup>6</sup> In this program the Federal government provides appropriations for 85 per cent of all expenditures while also providing supplemental funds to cover expenditures on special services not set up by state and local agencies.<sup>7</sup> Therefore, in the

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<sup>5</sup>Public Welfare Laws, p. 32, 33. In relation to foster home care the maximum is \$100.00 per recipient.

<sup>6</sup>Public Welfare Laws, p. 40.

<sup>7</sup>A special fund has been set up called "emergency assistance to needy families with children" in which the state determines the type of aid needed. Fifty per cent of the cost of this fund is provided for by federal appropriations.

case of any state, Federal appropriations will provide approximately three-fourths of the total money payments for medical and remedial care, and approximately four-fifths of the amount expended for social services.

Two other forms of assistance are made available under Title IV of the Federal Social Security Act in relation to AFDC. Child care services are provided to supplement or substitute for parental care and supervision whenever the proper environment is not existent at the child's own home.<sup>8</sup> Foster family homes, day-care centers, and educational child care facilities are provided in this effort to prevent or remedy the problems which result from the neglect of dependent children. Assistance is also made available to the adult members of the families which receive aid under Title IV. This is through the work experience and training programs.<sup>9</sup> The purpose of these programs is to make available to the adult members of AFDC families the opportunities and incentives to become productive citizens in the economy. It is an attempt to place these individuals in the labor force so that they

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<sup>8</sup>Public Welfare Laws, p. 52.

<sup>9</sup>See Chapter III for a more complete discussion of the work experience and training programs established under the Economic Opportunity Act of 1964 and the 1967 Social Security Amendments.

can become self-sufficient and develop a sense of dignity, self-worth, and confidence that will have beneficial effects on the children in their families.<sup>10</sup>

Federal financial assistance is made available for the child welfare services and the work experience and training programs. Federal assistance in child welfare services is no less than one-third but not greater than two-thirds of the total expenditures. In the work incentive programs, four-fifths of the cost is provided for by Federal appropriations. In both instances, the Federal Government is encouraging state participation in these service programs in an effort to remove the basic causes of abuse and neglect of dependent children, and try to establish a Federally guaranteed opportunity to earn a living and to obtain an adequate minimum income and standard of living.<sup>11</sup>

[In reflecting upon the provisions of the Federal Social Security Act in relation to dependent children, the state administration of AFDC has resulted in considerable variation in the enactment of the law. This has been due to the autonomy allowed in the implementation of the law. States

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<sup>10</sup>Public Welfare Laws, p. 40.

<sup>11</sup>Ibid., pp. 48, 56.

have been left free to decide what constitutes need, to determine what portion of need will be met, and to decide who is eligible to receive assistance.<sup>12</sup> Also each state is allowed only to "furnish financial assistance as far as practicable under the conditions in the state."<sup>13</sup> Thus, the result has been that aid has varied from three to one hundred per cent of need with welfare requirements being "imposed by states in relation to means, morals and character as it sees fit."<sup>14</sup>]

#### Texas Statutes Relating to Public Welfare

Prior to the passage of the Social Security Act,] welfare in Texas was administered by a State Board of Control. Through county agencies the State Board coordinated the welfare activities of eleemosynary institutions and welfare agencies. However, after the enactment of the Social Security Act in 1935 it became apparent that there would need to be a State welfare law and a centralized agency which could

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<sup>12</sup> For a more detailed discussion see: U.S., Department of Health, Education, and Welfare, Welfare Policy and Its Consequences for the Recipient Population: A Study of the AFDC Program (Washington, D.C.: Government Printing Office, 1969), pp. 4-10.

<sup>13</sup> Ibid., p. 3.

<sup>14</sup> Ibid., p. 4.

enforce and promote this statute. Therefore, in 1939 the State Department of Public Welfare was created, and in 1941, in order to cooperate with the Federal Government in providing assistance on behalf of needy persons, a State statute, the Public Welfare Act of 1941, was passed in Texas.

(The Public Welfare Act provided all forms of public assistance and specific services in conjunction with the Social Security Act of 1935. In compliance with Federal guidelines, the Act established the State Department of Public Welfare as a single coordinating welfare agency. This gave the State Department of Public Welfare the responsibility of administering all welfare activities. It was to coordinate and integrate the independent agencies operating in the general field of public welfare and to make possible more efficient and economical administration of public welfare under the new law.<sup>15</sup> In this process the State Department was to cooperate with the Federal Social Security Board in order to provide assistance to all persons who were entitled to aid under the provisions of the Act. This entailed supervision of child welfare services,

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<sup>15</sup>The predominant reason for the creation of the Texas State Department of Public Welfare was to be in compliance with the Federal guidelines in the Social Security Act of 1935 so that the State of Texas would be eligible for Federal matching funds for welfare.

administering aid to needy dependent children,] assistance to the needy blind, assistance to the needy aged and administering or supervising general relief.<sup>16</sup>

#### State Services for Child Welfare in Texas

In relation to children, the State Department of Public Welfare acts as an agency of the State to develop State services for assistance in community child welfare.<sup>17</sup>

This is in compliance with State welfare objectives as set forth in the Public Welfare Act of 1941, and in conformity with Federal regulations established by the Social Security Act of 1935. The purpose of child welfare services is to "establish, extend, and strengthen public welfare services for the protection and care of homeless, dependent, and neglected children in danger of becoming delinquent."<sup>18</sup>

To achieve these objectives the State Department of Public Welfare established the Division of Child Welfare Services and the Public Assistance Program, Aid to Families with Dependent Children.

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<sup>16</sup>Public Welfare Laws (Austin, 1968), p. 125.

<sup>17</sup>Ibid., p. 125.

<sup>18</sup>Public Welfare Laws, p. 133.

### The Child Welfare Services Program in Texas

The Child Welfare Services Program provides social services for each child who receives AFDC assistance under the Public Welfare Act of 1941. These services are to promote the welfare of each child and to provide protection and care in or outside his own home. Services are also provided for the child's family to help maintain and further parental care and protection through increased self-support.<sup>19</sup> The development of these services for the care of dependent children is in compliance with Title IV and V (part three) of the Social Security Act of 1935.<sup>20</sup> In cooperation with public and private agencies the Child Welfare Services Program provides foster homes and institutional care for handicapped, illegitimate, mentally ill, and homeless needy children. It engages in casework and consultation services, along with guidance and counseling for dependent children and their families. In summary, the division of Child Welfare Services in the State Department of Public Welfare is responsible for the implementation of all necessary

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<sup>19</sup>Public Welfare Laws, p. 150.

<sup>20</sup>Ibid., p. 127.

welfare and related services available to AFDC recipients in coordination with the policies and structure of the Department.

The Aid to Families with Dependent

Children Program in Texas

[Aid to Families with Dependent Children in Texas is money payments and services with respect to needy families with a dependent child or children.<sup>21</sup> Assistance is in the form of cash warrants which are awarded by the State on a monthly basis. To qualify for assistance under the State's revision of Federal guidelines, a child must be any needy child:

- 1) who is a citizen of the United States; and
- 2) who has resided in this State for a period of at least one year; and
- 3) who is under the age of eighteen, or under the age of twenty-one and a student regularly attending a school, college, or university or attending a course of vocational training designed to fit him for gainful employment; and
- 4) who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity; and

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<sup>21</sup>Public Welfare Laws, p. 21.



- 5) who is living in a place of residence maintained by one or more relatives in his or their own home;
- 6) who does not have sufficient income or other resources to provide a reasonable subsistence compatible with health and decency; and
- 7) who has been removed from the home of a relative as a result of judicial decision that continuation therein would be contrary to the welfare of the child; and
- 8) whose placement and care are the responsibility of the State Department of Public Welfare.<sup>22)</sup>

Guidelines for Computation of Aid to Families with  
Dependent Children Assistance Payments in Texas

[For the children and families who qualify for assistance under the State's revised guidelines grants are determined in accord with the basic needs and income of the family.<sup>23</sup>

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<sup>22</sup> Public Welfare Laws, pp. 148-149. In 1963 the definition of a needy child was revised to include a child whose father was divorced from, legally separated from or continually absent from his family and/or who neglected or refused to provide for the support of his children to the best of his ability. This has become known as the "deserting father" clause.

<sup>23</sup> In computation of assistance an individual is considered "needy" if the income he earns is less than the minimum living assistance standard set by the State. U.S. Department of Health, Education, and Welfare, Program Facts on Federally Aided Public Assistance Income Maintenance Programs (Washington, Government Printing Office, 1969), p. 1.

In the determination of need the State is limited to providing the basic essential living expenses figured on the basis of an allowance established by the State Department of Public Welfare. This basic allowance includes coverage for personal needs, shelter, utilities, prescribed drugs and special items. In the computation of this allowance all income, defined as that gain or recurrent benefit which is derived from labor, business or property, and all resources of any child or relative applying for AFDC are considered.<sup>24</sup> Under the Public Welfare Act the level of assistance is inversely related to the level of income of each recipient so that the amount of monthly AFDC assistance is figured on the basis of the State allowance minus any income actually available to the individual.<sup>25</sup> However, to encourage recipients to enter the labor force an earned income exemption has now been extended to all recipients. This exemption formula provides for the following:

- 1) Disregard the first \$30.00 from the total earnings;
- 2) Disregard one-third of the remaining earned income;

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<sup>24</sup>Texas Department of Public Welfare, "Welfare Report," unpublished staff paper, Austin, 1970, p. 6.

<sup>25</sup>Ibid., p. 5.

- 3) Disregard all earned income of any AFDC child under twenty-one;
- 4) Allow for work related expenses;
- 5) Allow for child care costs.<sup>26</sup>

The net earned income which is left after consideration of all factors in the exemption formula is then combined with other income to determine the AFDC grant necessary to meet the needs of the qualified AFDC families and children.<sup>27</sup>

Restrictions Related to Aid to Families  
with Dependent Children Assistance

Payments in Texas

[The assistance which is made available to a qualified recipient is determined by the State Department of Public Welfare subject to additional State guidelines other than

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<sup>26</sup>Ibid., p. 6. This exemption formula is one of the more recent changes that has occurred in the AFDC program. It was part of the 1967 Social Security Amendments. Its impact and significance is discussed further in Chapter III.

<sup>27</sup>The strong emphasis on employment in the AFDC program provided these exemptions in accordance with the Social Security Amendments in 1967. Any income was exempt due to Title I and II of the Economic Opportunity Act of 1964, Title I of the Elementary and Secondary Education Act and training and incentive payments and work allowances under the Manpower Development and Training Act. Financial Services Handbook, (Austin, 1968), section 3353.

those of income and need. These guidelines restrict the individual as well as the total amount of AFDC assistance which is made available in the State. The Public Welfare Act of 1941 makes individual grants subject to a maximum level in relation to cash assistance.<sup>28</sup> The act also restricts the amount of State funds so that they do not exceed the amount of matchable Federal funds made available through the Social Security Act. In relation to the total overall amount of funds that can be expended on welfare, the Texas Constitution regulates the maximum level of welfare expenditures.<sup>29</sup> These restrictions, coupled with an increasing total caseload of AFDC recipients, have made the actual amount of assistance received even smaller.<sup>30</sup>

In an effort to combat the problem of inadequate State funds due to the rapid growth in the AFDC caseloads, a further restriction was placed on the determination of AFDC assistance grants.<sup>31</sup> Use is made of a "percentage

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<sup>28</sup>Public Welfare Laws, p. 150.

<sup>29</sup>Public Welfare Laws, p. 150. A ceiling of 60 million dollars has been placed on welfare expenditures.

<sup>30</sup>Texas Department of Public Welfare, "Welfare Report," unpublished staff paper, Austin, 1970, p. 5. Refer to the Jefferson v. Hackney case in Chapter III for a discussion of grant reductions due to cost of living increases.

<sup>31</sup>Ibid., p. 7. This has become common practice in Texas due to the lack of funds.

control factor."<sup>32</sup> This is the percentage of need that the Department of Public Welfare will be able to make available to meet the needs of AFDC recipients. This percentage level of need known as "recognizable need" is used to compute the amount of the AFDC grant check. It is subject to Federal control but may vary from sixty-two to one hundred per cent of the total recognizable needs of the AFDC recipient.<sup>33</sup> These concepts are illustrated in Table III which shows the effect of the income exemption formula and the percentage control factor in relation to AFDC assistance payments.

TABLE III

## EXEMPTION FORMULA FOR AFDC RECIPIENTS\*

Mrs. A., her four minor children, reside in a private rental home paying all utilities.

Mrs. A. is employed, earning \$150 per month and must pay \$40 monthly for child care.

Personal needs for mother . . . . .	\$ 65.00
Personal needs for 4 children . . . . .	100.00
(@ \$25 per child)	
Rental charge . . . . .	50.00
Utilities . . . . .	<u>13.00</u>
Total budgetary requirements . . . . .	\$228.00
Percentage control factor . . . . .	x .75
Recognizable needs . . . . .	<u>\$171.00</u>

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<sup>32</sup>The "percentage control factor" is a recent change in AFDC guidelines. See the discussion on the 1967 amendments to the Social Security Act in Chapter III.

<sup>33</sup>The Federal guidelines required that 62 per cent of need be met.

Determination of Available Income:

Total monthly earnings . . . . .	\$150.00
Exemption of first \$30 . . . . .	<u>-30.00</u>
	\$120.00
Exemption of 1/3 of balance. . . . .	<u>-40.00</u>
	\$ 80.00
Deduct work-related expense (full-time). . . . .	<u>-28.00</u>
	\$ 52.00
Deduct child care cost of \$40. . . . .	<u>-40.00</u>
Amount of net income . . . . .	\$ 12.00
Total recognizable needs. . . . .	\$171.00
Net income to be deducted . . . . .	<u>-12.00</u>
Unmet need. . . . .	\$159.00
Amount of Check (Grant). . . . .	<u>\$159.00</u>

\*Source: Texas Department of Public Welfare, "Welfare Report," unpublished staff report, Austin, 1970, p. 9.

In Table III Mrs. A's AFDC assistance is determined in relation to her family's need and income. The total budgetary requirements of the family are determined by the caseworker and the budgetary allowance established by State Welfare Department. In this example the monetary needs of Mrs. A's family are determined to be \$228.00. This amount is adjusted downward by the percentage control factor to cover only 75 per cent of the family's monetary needs resulting in a realignment of monetary needs at \$171.00. The second portion of Table III illustrates the determination of Mrs. A's income in relation to the income exemption formula. Through the application of this formula the amount

of Mrs. A's income available for support of her family is computed as \$12.00. This net income is then deducted from the amount of recognizable need to obtain the actual amount of unmet need, \$159.00, which the State will furnish to Mrs. A through AFDC cash assistance. Thus, through the use of these guidelines and control factors, aid to dependent children is determined with the emphasis on the monetary needs of the family.

Administration of Aid to Families with  
Dependent Children in Texas

In the administration and organization structure of the Welfare Department there are two basic functions to be performed in relation to AFDC. The primary function is the direct accomplishment of the department purpose, services for children in need of protection. These protective services are "child centered" in providing adequate care and financial assistance.<sup>34</sup> However, in an effort to recognize the rights and responsibilities of the parents, the services are also becoming more "family centered" in an attempt to rectify the conditions which have been harmful

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<sup>34</sup>Department of Public Welfare Annual Report 1969  
(Austin, 1969), p. 25.

to the child.<sup>35</sup> Thus, the Department's basic responsibility has been to plan the most appropriate form of substitute care, through financial and/or social services, with the child as the central figure in a family oriented program.

The secondary function of the State Department of Public Welfare is to provide the administrative support which allows for the accomplishment of the primary function of child care. In the AFDC Public Assistance Program three divisions of the operational branch of the Welfare Department are involved, the Field Operations Division, the Financial Division and the Social Services Division.<sup>36</sup> The division of Field Operations was established in 1967 to consolidate all the field operations under one administrative unit to coordinate the regional administrators, unit supervisors and the field staff. The Financial Services Division's function is to control the administration of all State and Federal funds for AFDC. To perform this duty the administrative staff is composed of "financial social workers" who perform the basic operations of initial eligibility determination

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<sup>35</sup> Ibid., p. 26.

<sup>36</sup> The discussion and terms pertaining to the administrative functions of the State Department of Public Welfare were originally presented in The Texas Department of Public Welfare, A Study done by the Electronic Data Systems Corporation (Austin, 1970), pp. II-5 to II-16.



and re-certification of need. The third, the Social Services Division, was created in 1968 to provide a unification of all the social services under one department. This division's basic responsibility is the coordination of all social services under the Aid to Families with Dependent Children and the Child Welfare Services Programs. This involved the establishment of an entire new staff which works exclusively in social services. The purpose of these new "social services workers" was to provide the consultation and assistance necessary to recipients of AFDC to enable them to become independent of welfare programs. Therefore, the administrative approach of these divisions of the State Department of Public Welfare is to try to provide specialized, thorough services and assistance in an effort to accomplish fully the social as well as the legal objectives of the AFDC program. Figure 2 illustrates the structure of the State Department of Public Welfare dealing with child welfare.

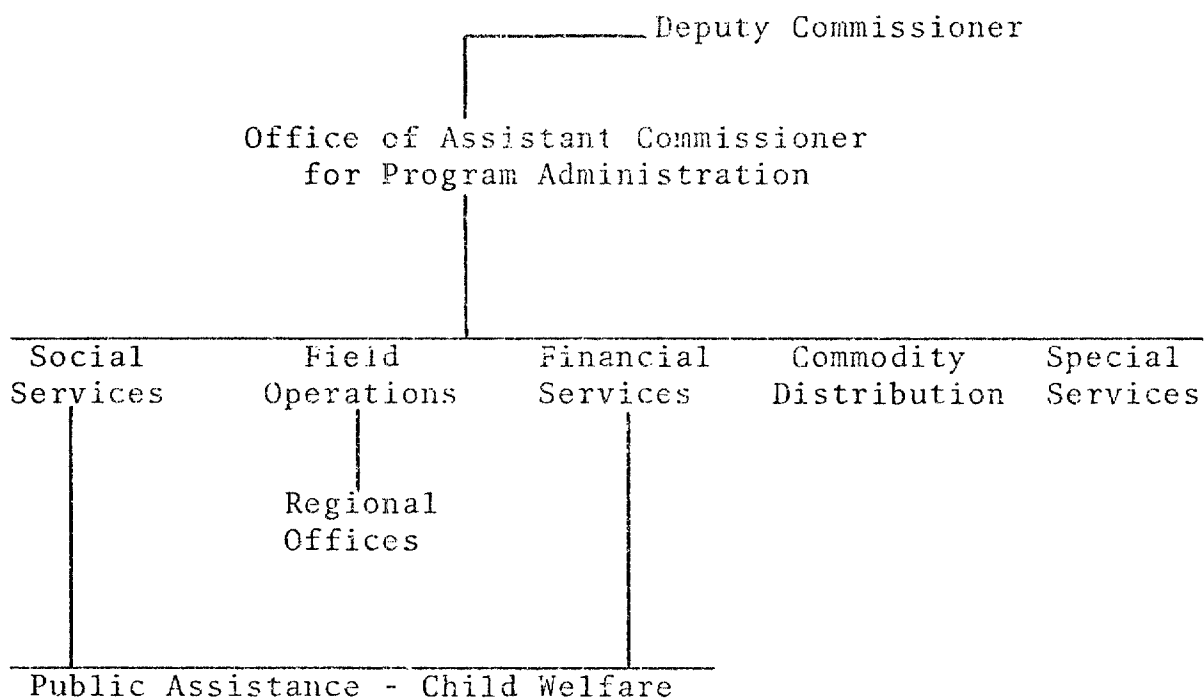


Fig. 2--Administrative structure of State Department of Public Welfare dealing with child welfare.

Source: The Texas Department of Public Welfare (Austin, 1970), p. II-6.

However, an important operational feature to note in the administration of the AFDC Program, especially in regard to grant determination, is the role of the caseworker. In the performance of the line functions, such as casework services and planning, the caseworker is the basic administrative unit composing forty per cent of the total State welfare staff. The caseworker is the individual responsible for the interpretation and the implementation of many of the phases of the public assistance programs: assistance payments, eligibility, and other related social services. In

Texas, due to rapid escalation of AFDC caseloads the caseworker has had to handle an average of seventy cases per year.<sup>37</sup> In combination with his other duties this allows the caseworker an average of four hours of welfare worker time available yearly for each family.<sup>38</sup> This short time period hardly seems sufficient for the caseworker, who directs the scope and degrees of social services and assistance, to determine the real need of the AFDC recipients.<sup>39</sup>

In conclusion the State Welfare Department, in relation to AFDC, is in compliance with the Federal guidelines and appears structurally and organizationally sound. However, the State's guidelines have made the operation of the AFDC program more exacting and in some areas restrictive.

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<sup>37</sup>Texas has the fifteenth highest caseload rate in the nation. Department of Public Welfare Annual Report 1969, p. 14.

<sup>38</sup>The Texas Department of Public Welfare, p. II-15.

<sup>39</sup>Ibid., p. II-16.

## CHAPTER III

### THE CHANGING NATURE OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM IN THE SIXTIES

[In the original writing of the Federal Social Security Act, the conditions and limitations placed on states in relation to AFDC were not stringent. The broad latitude permitted the states was exemplified in section 401 of the Act which stipulated that states were to furnish assistance, "as far as practicable."<sup>1</sup> The permissiveness of the law was further supported by the deletion of the phrase; "assuring . . . a reasonable subsistence compatible with decency and health to dependent children without such assistance," from the final version of the law.<sup>2</sup> The wide latitude allowed in deciding how programs are to be organized, who is eligible for aid, and how much each eligible person should receive in benefits, led to a motley collection of

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<sup>1</sup>U.S., Department of Health, Education and Welfare, Welfare Policy and Its Consequences for the Recipient Population: A Study of the AFDC Program (Washington, D.C.: Government Printing Office, 1969), p. 3.

<sup>2</sup>Ibid., p. 4.

state programs. In reality the state statutes became a reflection of the states' economic conditions and the desire of the citizens as expressed in law and policy, as opposed to the social objectives expressed in the Federal Social Security Act.<sup>3</sup>

The different interpretations and implementation of Federal AFDC guidelines led to increasing controversy, especially during the sixties. President Lyndon B. Johnson expressed dissatisfaction toward the AFDC Program and its operation in 1967. He said, "It is criticized by liberals and conservatives, by the poor and the wealthy, by social workers and politicians, by whites, and by Negroes in every area of the nation."<sup>4</sup>

Criticism along with the varying states' implementations of the AFDC Program resulted in the demand for the Program's reform. Demands for the elimination of the inequities in grants, eligibility requirements, and investigations were expressed by recipients as well as government officials. Reevaluation of the Program and its policies was recommended along with the expansion of the Program and its goals. In

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<sup>3</sup>Ibid., p. 11.

<sup>4</sup>Ibid., p. 1.

essence, the overall effectiveness and purpose of the Program was challenged as was the state's role and participation. The effects of this criticism and dissatisfaction have produced far-reaching changes in the Federal statutes and their implementation creating a new AFDC Program, more complete, more inclusive, and more costly.]

The Catalysts for Aid to Families with Dependent  
Children Reform

The underlying forces which brought about the demand for the reform of the welfare and the AFDC Programs were the civil and welfare rights movements in the sixties. They voiced a new consciousness and awareness among the poor in the United States.<sup>5</sup> In reaction to and in compliance with many of the demands of the rights movements, the Government, over the past quarter century, proceeded to remove some of the long-standing barriers to equality. Through these efforts the Government hoped to control and yet utilize the newly motivated resource of human capital to benefit those individuals as well as the nation.

The first measure in the Government's effort to insure equality was the Civil Rights Act of 1964. This Act forbade

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<sup>5</sup>Ibid., p. 7.

all discrimination because of race or color. [In relation to the welfare rights movements the Act had a profound effect. Title VI of the Act established that nondiscriminatory practices must be followed in relation to all Federally assisted programs. Discrimination was barred against any person because of race, color, or national origin.<sup>6</sup> This was to eliminate any aspects of segregation in state health and welfare programs and institutions. This meant that states could no longer offer separate but equal facilities in any social welfare programs. In an effort to bring about enforcement of this new regulation, the Health, Education, and Welfare Department, along with the Attorney General, was authorized to aid in the regulation of the Act. Thus, the states had to offer an inclusive, complete welfare program open to qualified recipients or be subject to legal action or termination of Federal matching funds.] *Problem*

Another legislative development, the Economic Opportunity Act of 1964, was an important stimulus in the demand for reform and correction of our welfare system. The Act was set up with the express goal of abolishing poverty--per

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<sup>6</sup>"Revolution in Civil Rights," Congressional Quarterly Service XXVIII (Washington, 1968), 6.

<sup>7</sup>Compliance in Title VI is only for welfare programs which utilize Federal funds.

se.<sup>8</sup> It was to be a practical instrument for creating a society in which all citizens are provided with opportunities for advancement to the limit of their individual capacities. It was to be "directed at the roots of poverty--aimed particularly at helping the children of the poor."<sup>9</sup>

The emphasis of the Act upon helping the young is reflected in the "national emphasis programs," which are geared toward strengthening the family unit by aiding the parents as well as the children in low-income families. These programs created a host of new resources for helping families to escape the cycle of poverty and dependency. Work experience programs were set to assist unemployed fathers and other needy persons to gain work experience and job training.<sup>10</sup> The program provided professional guidance and instruction as well as job placement for welfare recipients in an effort to keep the family unit self-supporting and together. Health Services Programs were

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<sup>8</sup>The following discussion and concepts were taken from Antipoverty Programs Under the Economic Opportunity Act (New York, 1968), pp. 14-64. In reference to the Economic Opportunity Act of 1964 the shortened form, EOA will be used in the remainder of this paper.

<sup>9</sup>Ibid., p. 53.

<sup>10</sup>It seeks primarily to help jobless heads of families with dependent children.



initiated in neighborhood health centers to provide day care and health services for low-income children. Project Head Start was implemented to improve the mental and verbal skills of poverty children by providing educational training. A similar program, Upward Bound, was established to help the low-income student with inadequate academic preparation, to remain in school and to prepare for higher education. Neighbor Service Centers, along with the Legal Services Program, provided the poor with data, information, and legal advice and representation in an effort to make the poor aware of all the various types of assistance for which they are eligible. In every program the EOA began to "create a means of social change, not social upheaval" for the poor.<sup>11</sup> However, the real significance of the Act was that in each program it was the involvement and inclusion of the poor themselves that brought the new dimension to the Act. It made the poor aware of their abilities and their rights, bringing about a new consciousness and activism in the welfare rights movement. In conjunction with the Civil Rights Act of 1964 the EOA became the motivating force which created a new perspective about social welfare

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<sup>11</sup>The Quiet Revolution (Washington, 1965), p. 5.

rights and objectives which stimulated a demand for changes in the AFDC Program.

The Role of Legislative Developments with  
Respect to Aid to Families with  
Dependent Children Program

The legislative developments of the mid-sixties also became the basis for further activities and changes in the AFDC program. With the implementation of new Federal programs and statutes, state AFDC programs became involved in a continuing process of realignment to comply with new guidelines and regulations. In this realignment process the State of Texas was no exception.

The first major change in the Texas AFDC program was due to introduction of Medicaid as part of the Social Security Act.<sup>12</sup> The Medicaid program, authorized under Title XIX, was a more revolutionary departure from previous social welfare than was Medicare. The program offered the states a Federal revenue sharing program for medical assistance to specified needy persons, no matter how high

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<sup>12</sup>The Medicaid program was part of the Social Security Amendments of 1965. The discussion and concepts of the program were taken from Department of Health, Education and Welfare Annual Report 1965 (Washington, 1966), pp. 51-78, and Medicaid (New York, 1968), p. 6.

the expenditures.<sup>13</sup> To qualify for aid, the states were required to replace their existing public assistance medical programs with a new, more liberal medical program by 1970. If not, the threat of a termination of Federal funds was posed. ] The objective of this Federal-state public assistance program was to establish minimum standards for state plans which receive Federal support, and provide medical aid to groups of persons--poor and medically poor--who had not been previously aided through the Medicare program.

To comply with this Medicare program, Texas passed the Medical Assistance Act of 1967. This act provided all of the health care services, assistance, and benefits that were authorized in the Federal legislation.<sup>14</sup> Administered by the State Department of Public Welfare, the Act made health care available to all children and adults who were in need of such care but who were not financially able to pay for it. This made all individuals who were receiving public assistance grants, including AFDC, automatically eligible for medical assistance under Title XIX since they were not covered under Medicare.

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<sup>13</sup>Federal aid is provided on an open-ended basis, with no limit to the amount of expenditure. This entails the Federal government covering 50 to 83 per cent of the cost of the program.

<sup>14</sup>Ibid., p. 11.

The impact of the Medicaid program in Texas has been two-fold. Initially, it has been an important factor in the increases in AFDC rolls. The availability of medical care has resulted in many applications for public assistance through the AFDC program as well as the other assistance programs, from individuals and families seeking primarily the medical benefits.<sup>15</sup> These new applicants have caused a significant increase in the AFDC rolls. The number of child applicants has doubled and the number of families have nearly tripled since the introduction of Medicaid in 1967.<sup>16</sup> Secondly, the new medical program has produced over 550,000 new claims for medical services, resulting in over nine billion dollars in additional medical expenditures for the first two years of the program.<sup>17</sup> Therefore, the Medicaid program has altered the structure of the AFDC program and has added an important cause for further

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<sup>15</sup>Texas Department of Public Welfare, "Welfare Report," unpublished staff paper, Austin, 1970, p. 10.

<sup>16</sup>In absolute numbers the family applicants have increased from 21,587 to 71,000 while the number of child applicants have increased from 79,948 to 199,500 since 1967. In addition, a change in the matching formula has resulted in the State now having to bear 33 per cent of the cost as compared to 20 per cent when the program was introduced in 1967. Department of Public Welfare Annual Report 1969 (Austin, 1970), pp. 16-19.

<sup>17</sup>Ibid., pp. 19, 73-75.

increases in the AFDC program in terms of applicants and expenditures.

The 1967 Social Security Amendments in Relation  
to Aid to Families with Dependent Children

[The 1967 amendments to the Social Security Act resulted in an extensive alteration of the AFDC program on a state level resulting in the largest total increase in benefits payments since the program began. The amendments provided for greater incentives, exemptions and grants, altering the legal and structural framework of state plans.]

[One of the major changes in the AFDC program was the introduction of the work incentive program for AFDC recipients entitled WIN. State welfare agencies were required, as a condition to obtain Federal funds, to provide work and training programs for adult members of AFDC families.] The State Welfare Department, in coordination with the Department of Labor, was to help unemployed fathers and other needy persons to secure and retain employment. Qualified recipients were to be assisted in finding employment, given suitable training, or employed on special work projects until other training and employment opportunities were available. [However, this work incentive program also included the stipulation that

refusal to accept employment and training opportunities was grounds for termination of AFDC grants.<sup>18</sup> ] Therefore, the WIN program was trying to aid AFDC recipients, but also to compel them to become members of the labor force and become self-sufficient. ] This is exemplified in the objective of the program; "Rather than fight poverty by means of the dole, we want to restore the poor to self sufficiency through education, training, and work."<sup>19</sup>

[ The new amendments compelled states to change their determination of grants by an expansion of the exemption formula to qualified AFDC recipients. ] Earnings exemptions allowed the exclusion of the first \$30.00 of earned income plus one-third of the remaining income for the purpose of determining assistance payments.<sup>20</sup> Also, all earnings of children under 21 years of age who were full or part-time students had to be totally excluded. In addition, grants

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<sup>18</sup> Advisory Council on Public Welfare, "Having the Power, We Have the Duty," Report to the Secretary of Health, Education and Welfare (Washington, D.C.: Government Printing Office, 1966), pp. 7-10.

<sup>19</sup> Welfare Policy and Its Consequences for the Recipients Population: A Study of the AFDC Program, p. 8.

<sup>20</sup> These changes in grant determinations resulting from the 1967 Social Security Amendments are listed and discussed in relation to Texas Welfare Statutes in Chapter II.

were annually adjusted "to fully reflect changes in living costs" which entailed adding a cost of living percentage increase onto the AFDC grants.<sup>21</sup> Overall these grant exemptions were another form of incentives to AFDC recipients to join the labor force of the economy. But even more so, these exemptions were to provide the "working poor" who received AFDC with additional assistance to encourage them to remain in the labor force.

Social Services for children were also modified and restructured under the 1967 amendments. The new amendments required that child welfare services and social services to children receiving AFDC be combined under one single organizational unit on the state and local level. The purpose was to gain better coordination between the Bureau of Child Welfare and the AFDC program, and to further facilitate the dissemination of research and demonstration findings into regional and local areas.<sup>22</sup> This new organizational set up was also to help coordinate and encourage state and local agencies to develop new and innovative

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<sup>21</sup>Welfare Policy and Its Consequences for the Recipient Population: A Study of the AFDC Program, p. 8.

<sup>22</sup>U.S. Congress, The Social Security Amendments of 1967--Public Law 248 (Washington, Government Printing Office, 1970), p. 109.

services in child health care. Additional appropriations and grants were made available to facilitate further expansion of family planning services, special projects in child welfare, and increased foster home and day care. In each of these new provisions the emphasis was to provide a more effective administration of child health services, while at the same time provide for the improvement of the health and development of the child.<sup>23</sup>

A significant part of the 1967 Amendments was a "freeze" on Federal grants in relation to dependent children. The Amendment stated that for the purpose of determining Federal matching grants for AFDC, a maximum on Federal aid would be established based on the number of children eligible in each state as of June 30, 1969. The purpose of this provision was to force the states to curb the growth of their assistance rolls. However, the effects have been to deny assistance to thousands of children, reduce the level of grants, and to shift a greater portion of the cost from the Federal government to the states.<sup>24</sup> 7

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<sup>23</sup> Ibid., p. 110.

<sup>24</sup> Toward Social Welfare, p. 245.



In Texas, compliance with the 1967 amendments altered the AFDC program's structure, policies, and procedures. In relation to employment the State Department of Public Welfare, along with the Texas Employment Commission, established the mandatory job training and placement program known as WIN. Established in July, 1969, the WIN program replaced previous work programs established by the Economic Opportunity Act of 1964.<sup>25</sup> The State began the program with five separate projects in major metropolitan counties to provide employment and/or training for eligible recipients of AFDC. In the first year of operation the WIN program handled nearly 1600 AFDC recipients for job training; however, as of January, 1970 there had not been any termination of assistance due to the WIN program. This has added the additional burden of the cost of the WIN program upon the welfare budget. In the first year alone the program required nearly \$500,000 for training programs which meant an 8 per cent increase in State appropriations for the AFDC program.

In compliance with the new Social Security Amendments, new measures were also implemented dealing with AFDC grant

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<sup>25</sup>The WIN program as well as all the mandatory provisions of the Social Security Amendments of 1967 were included in the House Bill No. 1015 enacted by the Sixty-first Legislature amending Texas' Public Welfare Act.

distribution. Invoked by the rapid increase in AFDC rolls, as well as the 1967 Amendments, Texas adopted the new method of grant distribution.<sup>26</sup> These changes in the determination of assistance, further supported by court actions, brought greater assistance and equity in the welfare program. Income exemptions and work allowances provided more aid for the "working poor," as did the cost of living adjustments and removal of the maximum grant on AFDC recipients. A minimum one dollar grant enabled many recipients to remain eligible for medical assistance. However, the most significant part of the new program was the percentage of needs payment method.<sup>27</sup> This enabled the State to provide a more equitable system of grant distribution than the maximum grant control method between AFDC recipients. In the previous system maximum grant control tended to adversely affect AFDC recipients and families with no income. This new method allowed for greater equity between recipients with and without income.<sup>28</sup> In addition, it has only been through the deployment of this

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<sup>26</sup>Department of Public Welfare Annual Report 1969, p. 8. Many of these changes are discussed and illustrated in Chapter II dealing with AFDC in Texas Public Welfare Statutes. See pp. 20-24.

<sup>27</sup>Ibid.

<sup>28</sup>Ibid.

control technique that Texas has been able to meet the increasing needs of AFDC recipients.

An organizational restructuring of social welfare also resulted from the 1967 amendments. Child Welfare Services were combined with the AFDC Program. Realigned along regional lines, the new organizational structure of sixteen regional offices coordinated all child welfare and AFDC activities. This eliminated the existing thirty-nine overlapping public assistance and child welfare regions.<sup>29</sup> This new alignment facilitated the administrative as well as the cooperative functions of local, regional, and state agencies. It has led to the creation of the new Division of Social Services, which, through its own separate staff of financial social workers, has enabled a more complete and thorough administration of assistance grants.<sup>30</sup> Overall, this new organizational structure has resulted in the unification of all social services and a more coordinated program of social welfare operations.

In summary of the legislative developments which have affected the AFDC program, there has appeared to be an emerging

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<sup>29</sup> Ibid., p. 3.

<sup>30</sup> Ibid.

recognition that public assistance recipients have substantial legal rights. The Social Security Act destroyed the concept of public assistance as "public charity to the deserving poor."<sup>31</sup> The Act produced a change in opinion toward assistance by making assistance considered "payable as a matter of right."<sup>32</sup> This has led to the development of a public assistance program which has encompassed, both in substance and procedure, the constitutional standards of equity and rationality.<sup>33</sup> In essence, the legislative developments have brought about the recognition of the rights of welfare recipients and have established the legal principles underlying these rights.

#### Judicial and Court Actions Affecting Aid to

#### Families with Dependent Children

Aroused consciousness and awareness among the poor, as well as legislative developments, have over the past decade set the stage for the recent burst of litigation which has further extended and expanded AFDC and general welfare rights.

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<sup>31</sup>Department of Health, Education, and Welfare Annual Report 1968 (Washington, 1969), p. 51.

<sup>32</sup>Ibid., p. 52.

<sup>33</sup>Ibid.

The impact of court decisions, both in cases directly challenging policies of the Texas State Department of Public Welfare, as well as cases originating in other states, have been substantial. Court decisions have liberalized eligibility criteria, altered residence requirements, and increased AFDC grants.

The first important court decision affecting AFDC in Texas, as well as the nation, was the Supreme Court ruling of King v. Smith in Alabama in June, 1968. Abolishing the "man-in-the-home" policy, Chief Justice Warren stated that a "substitute father" regulation requiring disqualification of otherwise eligible children from AFDC is invalid.<sup>34</sup> Based on the "Fleming Ruling" of 1961 a state plan may not impose an eligibility condition that would deny assistance with respect to a needy child on the basis that the home conditions in which the child lives are unsuitable while the child continues to reside in the home.<sup>35</sup> Furthermore, Warren stated that a state can not deny AFDC assistance on the basis of the mother's alleged immorality. "Immorality and illegitimacy should be dealt with through rehabilitative

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<sup>34</sup> Supreme Court Reporter Vol. 88A (St. Paul, 1969), p. 2129.

<sup>35</sup> Ibid., p. 2137.

measures rather than measures that punish dependent children, for protection is the paramount goal of AFDC."<sup>36</sup> In conclusion the Court ruled that a destitute child who is legally fatherless can not be flatly denied Federally funded assistance on the "transparent fiction" that he has a substitute father.<sup>37</sup>

In relation to Texas' AFDC program the State initiated a man-in-the-home provision in 1959. The King v. Smith case invalidated this Texas "substitute father" regulation on the ground that it was inconsistent with the Social Security Act. It breached Federally imposed regulations to furnish AFDC assistance with reasonable promptness to all eligible individuals.<sup>38</sup> The result was that all payments that had been denied would be paid retroactively to all AFDC recipients including cash assistance as well as other benefits. Thus, Texas began its legal struggle and realignment only to be immersed in continuous change and restructuring.

Another suit in U. S. District Court in Texas, Machado v. Hackney, also revolved around the substitute father

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<sup>36</sup> Ibid., p. 2137.

<sup>37</sup> Ibid., p. 2142.

<sup>38</sup> United States Code: Annotated Title 42--The Public Health and Welfare (St. Paul, 1969), p. 394.

regulation.<sup>39</sup> The plaintiffs, two mothers on the AFDC rolls had been removed from the rolls, because of a substitute father in the home. The plaintiffs challenged that the substitute father regulation was inconsistent with the Social Security Act and that all past benefits denied to them should be retroactively paid.<sup>40</sup> While the case was pending, the King v. Smith ruling invalidated Texas' man-in-the-home provision. Therefore, the court ruled that the State must make payment of all past benefits to the plaintiffs that had been denied them.<sup>41</sup> Also this ruling resulted in a new policy dealing with termination of AFDC assistance. The court ruled that all states, effective October, 1969, must provide for a fair and impartial hearing for the causes of termination or reduction of assistance and must continue AFDC assistance during the time of the proceedings.<sup>42</sup> This extended the payment period of a terminated recipient three

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<sup>39</sup>Federal Supplement, Vol. 299 (St. Paul, 1969), p. 644.

<sup>40</sup>Ibid.

<sup>41</sup>The court only awarded retroactive payments to the two plaintiffs because to repay all past benefits would entail too large a financial burden on the State for "those who have not diligently protected their rights." However, this did set a precedent for further cases. Ibid. p. 646.

<sup>42</sup>Federal Supplement, Vol. 299, p. 1251.

months, incurring the additional costs of assistance as well as the costs of reinvestigations and court actions.

In Texas in 1969 nearly thirteen thousand cases were involved in court actions and appeals dealing with AFDC, again placing an additional demand for welfare funds and expenditures.<sup>43</sup>

The case of Robinson v. Hackney in a U.S. District Court in Houston in May, 1969, affected the control of AFDC grants. The suit was raised challenging the State's maximum grant provision of AFDC assistance payment.<sup>44</sup> The plaintiff said that the maximum grant provision was a violation of the equal protection clause of the Fourteenth Amendment and irrational in light of the purpose of the Social Security Act. However, before the court could rule on the case the State eliminated the maximum grant limitation in AFDC in anticipation of the court's ruling, and in lieu of new Federal requirements pending on public assistance programs.<sup>45</sup>

Another court action in June, 1969, affected all assistance programs in Texas. A suit brought in U. S. District

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<sup>43</sup> Department of Public Welfare Annual Report 1969, pp. 70, 73.

<sup>44</sup> United States Code: Annotated Title 42--The Public Health and Welfare (St. Paul, 1969), p. 1249.

<sup>45</sup> Department of Public Welfare Annual Report 1969, p. 4.



Court in Texas, Alvarez v. Hackney, challenged the durational residence rule in Texas' AFDC program.<sup>46</sup> Combined with another suit, Sweetan v. Hackney, which challenged the residence rule in relation to adult categories, both cases claimed that the statutory provision denying welfare assistance to residents of a state or district who have not resided within the area for at least one year was unconstitutional.<sup>47</sup> While in the process of appeals these cases were ruled in favor of the plaintiffs due to a Supreme Court ruling in the Shapiro v. Thompson case in the District of Columbia. Justice Brennan stated that a residence requirement creates a classification which constitutes an invidious discrimination denying equal protection under the law.<sup>48</sup> It is based on a state's effort to protect its fiscal position by discouraging entry of low income families. Therefore, the residence requirement was unconstitutional because it imposed an undue burden upon the constitutional right of welfare applicants to travel interstate, and it denied to those persons who have recently moved interstate equal protection

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<sup>46</sup>Ibid., p. 4.

<sup>47</sup>Supreme Court Reporter, Vol. 89 (St. Paul, 1969), p. 1322.

<sup>48</sup>Ibid.

under the Fourteenth and Fifth amendments.<sup>49</sup> Subsequently, the Texas AFDC program dropped its residence requirement and was directed to pay retroactive benefits to applicants who had been denied assistance under the former one-year policy.

The final court decision, Jefferson v. Hackney, July, 1969, has had a profound effect on the budgetary problems of the Texas AFDC program. Ruth Jefferson, an anti-poverty worker in Dallas, Texas, filed a suit stating that AFDC grants must reflect changes in the cost of living.<sup>50</sup> It was contended that the Texas AFDC program violated the Social Security Act in that the standards of assistance and the maximum grant imposed had not been proportionately raised.<sup>51</sup> This suit was the result of a reduction in AFDC grants to fifty per cent of recognizable need due to the rapid increase in cases and the limited source of funds available. The issue of the case became whether meeting fifty per cent of the need of AFDC recipients in contrast to meeting 100 per cent of need in other assistance programs was valid.<sup>52</sup> The

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<sup>49</sup> Ibid., p. 1325.

<sup>50</sup> Federal Supplement, Vol. 304 (St. Paul, 1969), p. 1332.

<sup>51</sup> Ibid., p. 1332.

<sup>52</sup> Ibid.

State's argument was that it had made adjustments for the cost of living but was forced to use a ratable reduction formula to meet the fiscal needs of all AFDC recipients. However, the court ruled that the State must increase the size of the grant that actually reaches the AFDC recipient. "Children must be granted the fact of an increased payment and not the fiction of an increased standard."<sup>53</sup> Reducing the effect of an increase in the cost of living by adjusting payments and then reducing the percentage of need actually paid violated the Social Security Act. The court ruled that Texas, in order to conform to the Federal statutes, must adjust its AFDC payments to reflect fully the rise in the cost of living. This constituted an eleven per cent increase in grants and for a proportional increase in line with the price index to keep AFDC grants proportionally raised in the future. Thus the State had to modify again its AFDC program and incur increased costs and appropriations.

Therefore, the claim that legal rights are attached to the receipt of public assistance, through legal actions, has now become a strong important factor in social welfare. Plainly, the poor are in the process of achieving equality

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<sup>53</sup>Ibid., p. 1346.

before the law.<sup>54</sup> Court actions have continued to extend the rights of due process and equal protections of the laws. This has served to dramatize the needs and assess the rights as well as gain a measure of acceptance from the public for the poor. In part, these rights are creatures of the statutes establishing the programs, but even more so, they reflect the dictates of the Constitution that comes into play once a program has been established.<sup>55</sup>

Texas Constitutional Changes Affecting the Aid  
to Families with Dependent Children Program

In line with the changes in the AFDC Program resulting from legal actions were new constitutional changes affecting the Program. In Texas all public assistance programs are operated with funds appropriated by the Legislature within the limits of the Texas Constitutional ceiling on public assistance. However, with the growth in public assistance in terms of both increased recipients and social services, appropriated funds have become inadequate. This became apparent in 1969 when AFDC grants in Texas were reduced to

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<sup>54</sup>Department of Health, Education, and Welfare Annual Report 1968, p. 51.

<sup>55</sup>Ibid.

fifty per cent of recognizable need and a special transfer of funds from the other assistance programs was made to keep further reductions from occurring in AFDC grants. The outcome of this squeeze on assistance funds was the submission of a proposed constitutional amendment to raise the ceiling on funds for assistance programs from sixty to eighty million dollars. Due to the large statewide concern and the militant action of AFDC recipients in Houston and San Antonio, the amendment passed in the August elections of 1969.<sup>56</sup>

Amendment Five to Article IV of the Texas Constitution raised the ceiling of expendable State funds per fiscal year for money payments (grants) to public assistance recipients.<sup>57</sup> This provided a \$15 million supplemental appropriation for the current biennium. In relation to AFDC, eighty per cent of the newly created appropriations went to the program. This increased the appropriations for the AFDC programs to \$18.1 million, a 194 per cent increase

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<sup>56</sup> For a more detailed discussion on the events culminating in the passage of the amendment dealing with welfare expenditures see Department of Public Welfare Annual Report 1969, pp. 2-6.

<sup>57</sup> Ibid., p. 8.

over the amount appropriated in fiscal 1969 year.<sup>58</sup> This enabled the State to raise AFDC grants to 75 per cent of the budgetary family needs. However, in January, 1970, it was apparent that the Department would have to reduce the percentage of need met from 75 per cent to 66 per cent to offset the continued escalation of new AFDC recipients.<sup>59</sup> This reduction was avoided by a special transfer of funds from educational appropriations, but this was just a temporary solution. Therefore even an increase of twelve million dollars in appropriations could not meet the needs of the AFDC program. The AFDC program, with its continuously changing structures, policies, and procedures, has brought renewed fiscal pressure on the State and its welfare appropriations.

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<sup>58</sup>Texas Department of Public Welfare, "Welfare Report," unpublished staff paper, Austin, 1970, p. 12.

<sup>59</sup>Ibid.

## CHAPTER IV

### THE NATURE OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM FOR TEXAS IN THE SEVENTIES

In the past two decades the nation and Texas, in particular, have been transformed into an industrialized economy. In this transformation the rapid acceleration of social and economic trends has not allowed enough time for systematic human adjustment to these changes.<sup>1</sup> The result has been that the most vulnerable segment of the population-- the poor, the under-educated, and the economically displaced-- has been neglected.<sup>2</sup> Historically, successful people in a fast moving society have had difficulty relating to the problems of the lower socio-economic groups in society. Rapid growth and prosperity have tended to camouflage the mounting problems of the least fortunate.<sup>3</sup> The severity of

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<sup>1</sup>The following discussion and concepts have been taken from Breaking the Poverty Cycle in Texas, (Austin, 1970), p. 4.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

the problem has been compacted in Texas by the fact that the programs that were established in Texas under the Public Welfare Act were basically concerned with the major category of people on welfare at that time, the aged. Aid to the poor, conceived as charity under the AFDC Program, was considered of minor importance. This had led to an ever increasing gap between the poor and the economically secure in Texas.

The decade of 1960-1970 produced both dramatic advances in technology and decisive "generation and culture gaps." Rights, riots and relativity became the three R's of the decade. Poverty no longer was viewed as a temporary condition beyond individual control but as human failure to the successful, and as futility to those engulfed in it. Unique economic developments combined with the acceleration of urbanization and unprecedented technical and scientific achievements challenged traditional thinking . . . . Inflation with its rising costs, and employment with its mounting demands for high levels of skill combined to intensify the plight of the unskilled, the under-educated, the poor, the disabled and the needy aged. The gap between those who determine the social, political and economic environment and those who must adjust to it was greatly<sup>4</sup> expanded by the progressive developments of the decade.

It has also become apparent that in relation to the increasing number of poor a reevaluation of the Texas welfare program must be made.

Public Welfare no longer can be viewed as a minimum charitable human reaction to the needs of an undefined few who are less fortunate . . . . Texans must realize

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<sup>4</sup>Breaking the Poverty Cycle in Texas, p. 5.



that this is no longer a landed frontier where survival and well-being are the products of individual faith, will and effort alone. The future of this state and this nation may rest upon the effectiveness with which the political and economic leadership recognizes and provides for the needs of the least fortunate.<sup>5</sup>

The welfare structure established in Texas has basically treated recipients "as persons to be maintained only on a level at or below that of decency."<sup>6</sup> In a study done by the Department of Health, Education, and Welfare in 1969 on the restrictive practices established in state AFDC welfare statutes, Texas' score was thirteen out of a possible sixteen.<sup>7</sup> This score was surpassed only by that of the state of Mississippi as the state with the most restrictive AFDC practices. Texas also ranked in the lowest percentile of states in the amount of grants given to AFDC recipients. In relation to the full range of prescribed services which states are to offer in compliance with the Social Security Act and Amendments, Texas ranked thirtieth, offering only one of the six prescribed services. In these areas as well as others pertaining to

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<sup>5</sup>Ibid., p. 5.

<sup>6</sup>Ibid., p. 1.

<sup>7</sup>The discussion and figures on Texas' restrictive practices are taken from U.S. Department of Health, Education, and Welfare, Welfare Policy and Its Consequences for the Recipient Population: A Study of the AFDC Program (Washington, Government Printing Office, 1969), pp. 13-16.

AFDC, it is easily shown that Texas has taken advantage of the permissiveness of the Federal statutes to restrict and limit its AFDC Assistance Program.

The significance of Texas' restrictive AFDC Program lies in the fact that over 26 per cent of the population of Texas is below the poverty level.<sup>8</sup> There are 2.8 million people in Texas who are members of families receiving less than \$3,000 annual income. Out of this poverty group only 258,000, 9 per cent, were on the AFDC welfare rolls as of June 30, 1970.<sup>9</sup> This small percentage of welfare recipients makes Michael Harrington's concept of a culture of poverty a very real problem in Texas. The disregard for the poor is causing the "locking in" of a large segment of the population in Texas below the poverty level.<sup>10</sup> Furthermore, nearly 15 per cent of the population encompassed in poverty in Texas are under eighteen years of age. Failure to aid these young people will lead to further generations of welfare recipients and waste of the State's greatest resource, its people.<sup>11</sup>

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<sup>8</sup>Breaking the Poverty Cycle in Texas, p. 7.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid., p. 9.

<sup>11</sup>For a more detailed discussion of Texas' manpower and waste, see Breaking the Poverty Cycle in Texas, pp. 7-19.

To further compact the problem of AFDC assistance in Texas there has been a drastic increase in the number of recipients added to the AFDC rolls. Public disbelief and dismay have accompanied the release of data showing an increase in the number of dependent children during a period of the lowest birthrate in forty years.<sup>12</sup> In the sixties the AFDC rolls steadily increased until 1967 when the rolls jumped sharply. In December of 1966, 79,000 children were on Texas AFDC rolls. The rolls have now increased to 199,500 children as of June, 1970.<sup>13</sup> The increase of 58 per cent, almost double the national average increase, was second only to that of Oregon in the number of new recipients in 1970.<sup>14</sup> Payments have also increased from \$2.2 million to \$7.4 million per month since 1966. Finally, Texas has also experienced the largest increase of all states in welfare payments to AFDC families during 1970, a 165 per cent increase.<sup>15</sup>

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<sup>12</sup> Ibid., p. 13.

<sup>13</sup> Ibid.

<sup>14</sup> Statement by Edwin Powers, Budget advisor to Preston Smith, Austin, Texas, August 13, 1970.

<sup>15</sup> Ibid.

The reasons for the increasing welfare rolls and costs have been the rising costs of living and increasing unemployment of the least skilled.<sup>16</sup> The rise in monthly AFDC grants was accelerated by the court decisions of the last five years. These decisions have required the inclusion of all children in grant determination and budget modifications to parallel increases in the costs of living. Furthermore, an additional increase in costs to Texas has resulted from the alteration of Federal supplementation of AFDC from 4:1 (federal-state) to 2:1 (federal-state). However, the real impact and significance of these factors have occurred since September, 1969. The growth in the AFDC rolls and costs in the last eighteen months has been substantial. Since September, 1969, an average of 6,948 children and 2,425 families have been added to the AFDC rolls monthly requiring \$6.1 million in monthly assistance payments.<sup>17</sup> This is a significant increase from the fiscal 1969 year averages of 698 families, 1,960 children and \$3 million in monthly assistance payments.<sup>18</sup> These increases are illustrated

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<sup>16</sup>The following discussion of increasing welfare rolls and costs is from Breaking the Poverty Cycle in Texas, p. 13.

<sup>17</sup>Ibid., p. 16.

<sup>18</sup>Ibid.

in Figures 1 and 2 showing the growth in rolls and payments in AFDC in the last 22 months.

Number of People (000)

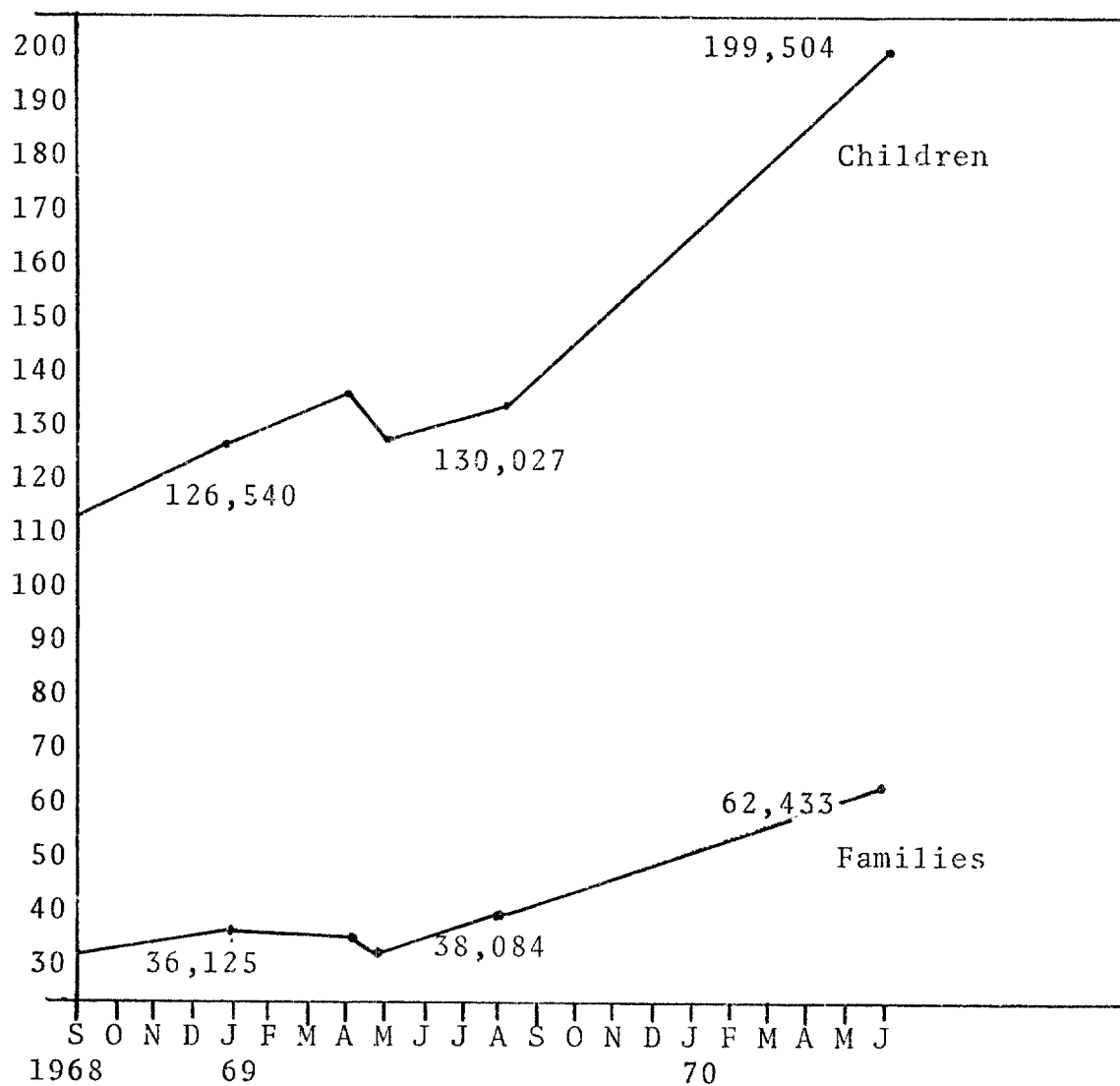


Fig. 3--Number of children and families on the AFDC caseloads, September, 1968 through June, 1970.

Source: Breaking the Poverty Cycle in Texas, (Austin, 1970) pp. 13, 14.

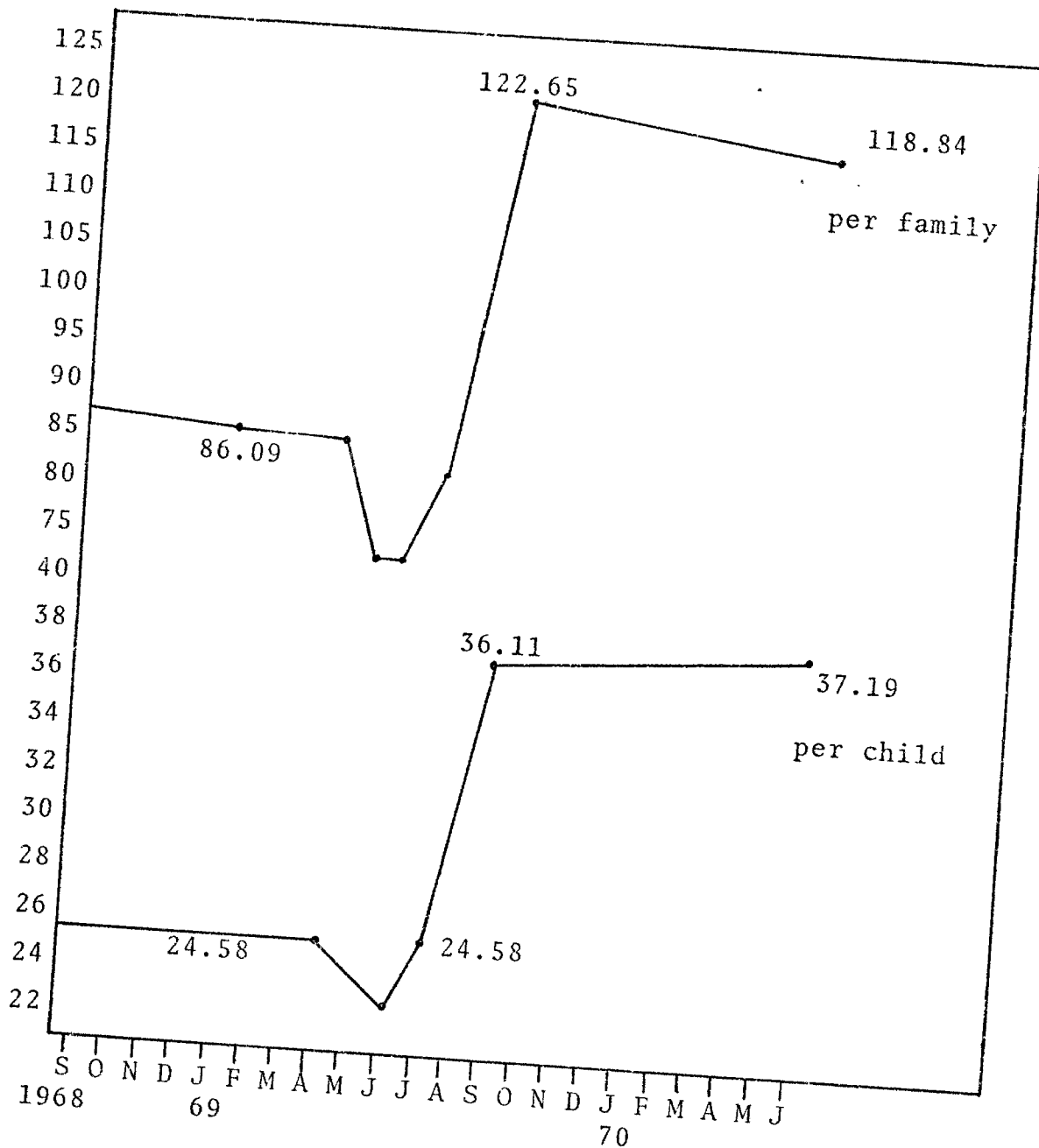


Fig. 4--Average AFDC monthly payments per child and family, September, 1968 through June, 1970.

Source: Breaking the Poverty Cycle in Texas, (Austin, 1970) pp. 14, 15.

These rapid increases in AFDC rolls and payments have placed continued pressure on the Texas welfare program with no indication of any substantial drop in the rate of increase in the future.<sup>19</sup> Therefore, these increases, coupled with the changing nature of the AFDC Program, have altered the AFDC welfare structure, operation, and effectiveness.

The most important change in the AFDC structure due to escalating cost and caseloads in the last two years has been in relation to the alteration of the Federal matching formula. Federal funds, made available on an open-end basis, are determined by the level of payments and the number of recipients.<sup>20</sup> However, in February, 1970, the Federal ratio was reduced, increasing the State's portion of the cost of the AFDC Program from 20 per cent to 30 per cent.<sup>21</sup> This alteration in the matching formula has reduced the

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<sup>19</sup>The view of continuous growth in welfare rolls and costs is shared by the Senate Interim Committee on Welfare and the Budget Analysis Department of the State Welfare Department. For further discussion see Texas Welfare Budget Office, "Welfare Budget Report, 1971-1973," unpublished budget proposal, (Austin, 1970), pp. 1-7.

<sup>20</sup>Mushkin and Roberts, p. 38.

<sup>21</sup>Breaking the Poverty Cycle in Texas, p. 12.

ability of the State to meet properly the fiscal needs of the AFDC Program by increasing the absolute amount of State expenditures. This alteration, as well as the effect of the \$80 million constitutional ceiling on assistance payments, has resulted in limited services and/or grants to AFDC recipients, and has increased the expenditures of the State to the maximum.<sup>22</sup>

The effect of these increased fiscal needs of the AFDC Program has been the implementation of the percentage control factor to distribute adequately public assistance payments. The use of the percentage control factor has made assistance available to an increasing number of AFDC recipients, but the relative amount of assistance has declined. In the past eighteen months the State has used the percentage control factor to reduce AFDC grants to 75 per cent of total monetary needs. However, this level of payment, 75 per cent of the actual needs of the AFDC family, is not a realistic measure. In Texas the level of need established by the Welfare Department is at least 20 per cent below the real needs of the AFDC families.<sup>23</sup> Therefore,

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<sup>22</sup>Ibid., p. 12.

<sup>23</sup>Ibid.



presently an AFDC family is receiving only about 55 per cent of its total real needs.

The problem of AFDC assistance and revenue is further illustrated in the Texas Senate Welfare Committee's request for a \$41 million emergency appropriation when the legislature convenes in January, 1971, to meet the needs of the remaining biennial.<sup>24</sup> The severity of the problem is also apparent in the 1971-1973 budget proposal for \$200 million in public assistance programs, totally eclipsing the \$80 million ceiling. Besides these increases in appropriations for cash assistance, the changing nature of the AFDC Program has also generated more budgetary pressures. In medical services, a 70 per cent increase in Medicaid is proposed for the next biennium.<sup>25</sup> A prescription drug program and vendor drug program are also proposed, entailing \$40 million additional expenditures. State purchase of day care and foster care facilities for AFDC children increases the demand for appropriations by \$17 million.<sup>26</sup> Furthermore, the need for additional staff and salary adjustments requires \$25

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<sup>24</sup>Breaking the Poverty Cycle in Texas, p. 56.

<sup>25</sup>Texas Welfare Budget Office, "Welfare Budget Report, 1971-1973," unpublished budget proposal, (Austin, 1970), pp. 5, 21.

<sup>26</sup>Ibid., p. 6.

million more in appropriations.<sup>27</sup> In every direction it appears that the State must restructure its Program by removing the \$80 million ceiling on assistance programs or raise it substantially. If not, the Department will have to reduce further the level of assistance payments and services in AFDC as well as the other categorical assistance programs.<sup>28</sup>

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<sup>27</sup> A more complete discussion of the staff problem can be found in Breaking the Poverty Cycle in Texas, p. 12.

<sup>28</sup> "Welfare Budget Report, 1971-1973," p. 6.

## CHAPTER V

### AID TO FAMILIES WITH DEPENDENT CHILDREN PROJECTIONS FOR TEXAS: 1970-1980

The budgetary problems that will arise in the State in relation to AFDC at the start of the seventies will continue to grow until the end of the decade. In compliance with the Texas Constitution's "pay as you go basis" the State will find it difficult to meet adequately the needs of AFDC recipients in Texas. This can be illustrated by projecting the caseloads and the costs of AFDC over the next ten year period. Through these projections one can foresee that the increases in qualified AFDC recipients, combined with the rise in the cost of living and the costs and additions of new social services, will result in many new budgetary problems.

#### Computation of Projections

In an effort to establish a basic procedure and criteria for the AFDC projections some general assumptions were made.

- 1) Past trends in the number of persons on assistance rolls continue, (since 1967).

2) The 1970 standards of assistance, repriced in accord with 1970 cost of living, are maintained.

3) Preventive measures to reduce dependency do not significantly reduce public assistance caseloads as early as 1980.

4) Federal aid continues to be provided at a 2:1 ratio for the public assistance categories.

These assumptions are necessary to make the AFDC projections comply with the Texas Welfare Department's procedure of computing projections with the basic parameters remaining constant. Additional extensive assumptions are needed to further adapt the projection procedure to the particular situation that now exists in Texas.<sup>1</sup>

1) The data for the past two years are computed on a calendar, not fiscal year basis, to reflect fully changes in the nature of AFDC, especially in 1969.

2) The average increase in caseloads is refined to consider the deletion of cases due to grant termination and additional increases due to reinstated cases.<sup>2</sup>

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<sup>1</sup>The numbers determined by these assumptions are based on the trends in AFDC over the past two years. See Department of Public Welfare Annual Report 1969, (Austin, 1970).

<sup>2</sup>See Appendix A for the explanation of the determination of refined caseload rates for the AFDC cost projections.

3) Administrative costs included in the annual expenditures for AFDC are calculated to increase each year.<sup>3</sup> With the use of these assumptions the AFDC cost and caseload projections can be computed in compliance with the legal and administrative framework of the Texas State Department of Public Welfare.

In the determination of the caseload projections, use is made of a base caseload variable which the State Department of Public Welfare has used in its biennial budget projections for the early seventies. This caseload variable is the monthly increase in caseloads determined by calculating the arithmetic mean of the increases in AFDC caseloads over the past eighteen months. These numbers, 1,915 families and 5,489 children per month, have been used because they reflect the changes in the AFDC structure that have occurred in the last two years due to new legislation, court actions, and statutory revision.<sup>4</sup>

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<sup>3</sup>Administrative costs based on the trends in the AFDC over the past two years, along with data compiled in a study of administrative cost by the Electronic Data Systems Corporation, will increase at least 8 per cent a year. See Department of Public Welfare Annual Report 1969, pp. 14-15, and The Texas Department of Public Welfare (Austin, 1970), pp. II-14-II-19, appendix.

<sup>4</sup>The numbers used in the projections are adjusted to enable more realistic estimations. Refer to Appendix A for the adjustment process.

Estimation of the costs of the AFDC program is determined by the use of another variable factor which is used by the State in its biennial projections. The AFDC grant of April, 1970, \$118.94, has been used as the base amount upon which expenditures are projected.<sup>5</sup> The reason for the use of the April assistance payment is that it has been computed in conjunction with the recent changes in AFDC grant determination. In projecting AFDC costs this monthly assistance payment is held in order to comply with the Welfare Department's procedure of projecting costs based on the concept of "maintaining effort."<sup>6</sup> This refers to the procedure of estimating future budgetary appropriations on the basis of a constant level of public assistance expenditures each year. Therefore, by the use of these projection procedures, guidelines, and variables, AFDC assistance payments and caseloads are projected for the next decade.

#### Statistical Technique

The statistical technique used to compute the AFDC projections is straight-line trend analysis.<sup>7</sup> This projection

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<sup>5</sup>The use of \$118.94 as the cost variable was determined by the Budget Analysis Department of the Texas Welfare Department. It represents payment of 75 per cent of the recognizable need of the average grant in April, 1970 in the AFDC program.

<sup>6</sup>Statement by Joe Coba, Director of Program Analysis in the Texas Department of Public Welfare, Austin, Texas, August 14, 1970.

<sup>7</sup>The Texas Department of Public Welfare refers to straight-line trend analysis as expenditures are a function of the population (number of welfare recipients).

analysis technique was adopted by the Texas Welfare Department in 1969 because of the steady non-seasonal increases in AFDC caseloads over the past three years. In addition, this projection technique facilitated the Department's procedure of projecting costs based on the concept of "maintaining effort." Therefore, its use as a projection technique enabled the trends in the number of AFDC recipients and costs to be calculated in accord with the parameters established by the Texas Welfare Department.<sup>8</sup>

In relation to the credibility of using straight line trend analysis to compute AFDC costs and caseloads, one must compare the past historical trend in AFDC costs and caseloads to the projected trends to see if the two trends are similar in nature. This comparison is done by regression analysis involving the use of least-square lines.

The least-squares line for both the historical and projected trends is determined by allowing the number of recipients to be the independent variable and annual AFDC expenditures to be the dependent variable.<sup>9</sup> Through this

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<sup>8</sup>The straight-line technique is used, not because it is the optimum projection technique, but to remain in accord with the procedures of the Texas Welfare Department to obtain comparable data.

<sup>9</sup>The data for the historical trend are taken from the period dating from 1967 to 1970 while the data for the projected trend are from the period dating from 1971-1980. This data is in Tables IV, VI, VIII.

computation two linear equations are determined. These equations  $Y = -2+1.3X$  and  $Y = -.4+1.4X$  represent the least-squares line for the historical trend and the projected trend respectively. To determine the similarity between the two lines, one compares the beta coefficients, 1.3 and 1.4, of the two equations. These beta coefficients, which indicate the slopes of the two least-squares lines, indicate that the two lines differ only by one-tenth. This discrepancy in the two slopes can be explained by the addition of the cost of living and administrative cost increases in the projected data.<sup>10</sup> These increases in annual expenditures would make the slope of the projected least-squares line, the beta coefficient, greater. This would mean greater costs over the projected time period than would result from an extension of the least-squares line depicting the historical trend. However, the difference is not of great significance, making the use of the straight-line trend analysis a valid projection technique in AFDC costs and caseloads. Therefore, this technique is used in estimating AFDC projected costs and caseloads. Tables IV and V are these estimated projections.

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<sup>10</sup>The discrepancy in the two beta coefficients could also be due to statistical error.



TABLE IV

CASELOAD AND COST PROJECTIONS FOR AID TO FAMILIES WITH  
DEPENDENT CHILDREN IN THE STATE OF TEXAS, 1970-1980\*  
(All numbers are in thousands)

Year	(1) Number of Families	(2) Number of Children	(3)** Monthly Expenditures	(4)*** Annual Expenditures	(5) Cost of Living Increase 6.2%	(6) Administrative Costs %	(7) Total Annual Costs	(8) State Cost Ratio 4:1	(9) State Cost Ratio 2:1
1970	71	226	\$ 8,430	\$101,166	\$ 6,272	\$ 8,093	\$115,531	\$23,106	\$ 38,125
1971	94	291	11,164	133,964	8,306	10,717	152,987	30,597	50,486
1972	117	357	13,897	166,763	10,339	13,341	190,444	38,088	62,846
1975	140	423	16,630	199,562	12,373	15,965	227,900	45,580	75,207
1974	163	489	19,363	232,361	14,406	18,589	265,356	53,071	87,568
1975	186	555	22,097	265,160	16,439	21,213	302,812	60,562	99,928
1976	209	621	24,830	297,959	18,473	23,837	340,269	68,054	112,289
1977	232	687	27,563	330,758	20,507	26,461	377,725	75,545	124,649
1978	255	753	30,296	363,557	22,540	29,085	415,181	83,036	137,010
1979	278	818	33,030	396,356	24,574	31,708	452,638	90,526	149,371
1980	301	884	\$35,763	\$429,154	\$26,608	\$34,332	\$490,094	\$98,019	\$161,731

\*Source: See Appendix B for the source and explanation of the derivation of the table.

\*\*The monthly expenditures are based on maintaining assistance at 75 per cent of recognizable need.

\*\*\*Annual expenditures are computed on an annual, not a fiscal year basis.

TABLE V

ADJUSTED CASELOAD AND COST PROJECTIONS FOR AID TO FAMILIES WITH  
DEPENDENT CHILDREN IN THE STATE OF TEXAS, 1970-1980\*  
(All numbers are in thousands)

Year	(1) Number of Families	(2) Number of Children	(3)** Monthly Expenditures	(4)*** Annual Expenditures	(5) Cost of Living Increase 0.2%	(6) Administrative Costs %	(7) Total Annual Costs	(8) State Cost Ratio 4:1	(9) State Cost Ratio 2:1
1970	71	226	\$ 6,968	\$ 83,619	\$ 5,184	\$ 6,689	\$ 95,492	\$ 19,098	\$ 31,512
1971	94	291	9,227	110,729	6,865	8,858	126,452	25,290	41,729
1972	117	357	11,487	137,838	8,546	11,027	157,412	31,482	51,946
1973	140	423	13,746	164,948	10,227	13,196	188,371	37,674	62,162
1974	163	489	16,005	192,058	11,908	15,365	219,331	43,866	72,379
1975	186	555	18,264	219,168	13,588	17,533	250,290	50,058	82,596
1976	209	621	20,523	246,278	15,269	19,702	281,250	56,250	92,812
1977	232	687	22,782	273,388	16,950	21,871	312,209	62,442	103,029
1978	255	753	25,042	300,498	18,631	24,040	343,169	68,634	113,246
1979	278	818	27,301	327,608	20,312	26,209	374,128	74,826	123,462
1980	301	884	\$29,560	\$354,718	\$21,993	\$28,377	\$405,088	\$81,018	\$133,679

\*Source: See Appendix C for the source explanation of the derivation of the Table.

\*\*The monthly expenditures are based on maintaining assistance at 62 per cent of recognizable need.

\*\*\*Annual expenditures are computed on an annual, not a fiscal year basis.

In Table IV the monthly and annual expenditures for AFDC assistance are computed on the basis of "maintaining effort" using the April, 1970, grant as the base cost variable. The State's portion of the cost is figured by the previous 4:1 federal-state ratio and by the new 2:1 federal-state ratio.<sup>11</sup> Table V computes similar data but makes use of the Federal minimum for assistance, 62 per cent of recognizable need. This reduces the base cost variable to \$98.31, a figure which results in a 13 per cent reduction in the State's portion of the AFDC costs.<sup>12</sup> In the past AFDC appropriations have accounted for 11-22 per cent of the \$80 million public assistance funds. This amount reached \$18 million in 1970. However, if one compares the State's portion of AFDC costs, 33 per cent of the total expenditures, with the \$18 million level of appropriations or even with the \$80 million level of total public assistance funds available for categorical public assistance, the projected State costs will exceed both levels before 1980.

The magnitude of the problem is further illustrated by comparing the data in AFDC child and family caseloads as shown

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<sup>11</sup>Both federal-state ratios are calculated to illustrate the impact the change in the matching formula will have over an extended period.

<sup>12</sup>The Federal minimum, 62 per cent of recognizable need, is the lowest level AFDC assistance can be for the State to continue to get Federal funds.

in Table IV and Table VI. In Table VI the number of families and children on the AFDC rolls are listed from 1951 to 1970. The comparison of this data with the projected caseloads in Table IV illustrates the contrasts in the growth rates of AFDC caseloads.

TABLE VI

AID TO FAMILIES WITH DEPENDENT CHILDREN FAMILY AND  
CHILD CASELOADS IN THE STATE OF TEXAS, 1951-1970\*  
(in thousands)

Year	Number of Families (1)	Number of Children (2)	Annual Percentage Change in Families (3)	Annual Percentage Change in Children (4)
1951	20	55	-	-
1952	17	48	-14.3	-12.9
1953	17	48	- 0.3	0.4
1954	20	57	17.8	17.9
1955	23	67	16.7	17.3
1956	22	66	- 4.7	- 1.0
1957	23	72	6.2	8.3
1958	25	80	9.9	11.0
1959	25	80	- 0.1	0.8
1960	21	68	-15.8	-15.3
1961	19	61	- 9.8	- 9.7
1962	20	62	1.9	- 1.5
1963	19	60	- 4.9	- 3.1
1964	19	67	3.9	-11.3
1965	20	70	5.0	4.9
1966	22	74	5.5	- 5.0
1967	24	80	8.9	8.1
1968	28	100	20.9	25.3
1969	48	160	68.5	59.5
1970**	71	200	49.2	24.9

\*Source: Data taken from the annual reports of the Texas Department of Public Welfare 1950-1969.

\*\*Estimated by Texas Welfare Department

A constant caseload increase of 79 per cent for each year is used in the projection estimates for the period 1970 to 1980. As shown in Table VI the actual data on caseload increases have varied from -16 per cent to 68.5 per cent over the past twenty years. In comparing these annual growth rates in AFDC caseloads it is significant to note the sporadic movement in the past twenty year period as opposed to the high positive growth rate that has occurred in the last five years of that same period. However, these AFDC welfare roll increases are not just due to a unique situation peculiar to Texas. In Chapter I, Figure I illustrates that the growth in AFDC welfare rolls is a nation-wide phenomenon that has increased in its intensity since 1956. Table I in Chapter I also illustrates that the nation-wide growth in AFDC welfare caseloads has been increasing over the past decade. Therefore, the AFDC welfare roll increases in Texas are part of a general trend across the United States, yet, it is important to note that the rate of growth in AFDC caseloads in Texas has been the second highest in the nation for the past three years.

A similar comparison can be made for expenditures in the AFDC Program. Table VII, which lists the average monthly expenditures for AFDC assistance for the past twenty years, illustrates the increases in welfare expenditures.

TABLE VII

AVERAGE MONTHLY EXPENDITURES FOR AID TO FAMILIES WITH  
DEPENDENT CHILDREN ASSISTANCE IN THE STATE OF TEXAS,  
1951-1970\*

Year	Expenditures Per Month** (1)	Annual Percentage Change (2)
1951	\$ 860,000	-
1952	833,000	- 3.2
1953	1,081,000	29.7
1954	1,221,000	13.0
1955	1,345,000	10.2
1956	1,337,000	- 0.6
1957	1,630,000	21.9
1958	1,792,000	10.0
1959	1,781,000	- 0.6
1960	1,522,000	-14.6
1961	1,454,000	- 4.5
1962	1,544,000	6.2
1963	1,487,000	- 3.7
1964	1,588,000	6.8
1965	1,737,000	9.4
1966	2,022,000	16.4
1967	2,245,000	11.1
1968	2,712,000	20.8
1969	5,766,000	112.6
1970	\$7,400,000	28.3

\*Source: Data compiled from the annual reports of the Texas Department of Public Welfare 1950-1969.

\*\*Numbers rounded to nearest thousand.

As derived from Table VII the average monthly expenditures have for the past ten years steadily increased at an average of 20.3 per cent per year. In comparison with the average

annual caseload growth rate of 19.4 per cent, derived from Table VI, it appears that the need for additional welfare funds has been met by increased welfare expenditures. However, over the past ten years the average increase in cash assistance per family has been only 5.4 per cent per year.<sup>13</sup> If one disregards the increases in 1969 due to State Constitutional revision and new Federal regulations, the average increase has been 1.8 per cent a year. In comparison with the Consumer's Price Index this reveals that in eight of the last ten years, the increases in AFDC assistance have been less than the cost of living increases resulting in a reduction of real AFDC assistance grants.<sup>14</sup> In addition, Table VIII, which presents the average monthly payment per AFDC family and child, reveals that in the past five years the average yearly growth in AFDC caseloads has been over 30 per cent. This growth in AFDC recipients has

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<sup>13</sup> The average increase in cash assistance is computed as the arithmetic average of the annual percentage change in AFDC family payments.

<sup>14</sup> The lack of adequate increases in AFDC grants gives further support to the point of revision of the AFDC Program and its budgetary structure. The cost of living increases made mandatory by the Jefferson v. Hackney court ruling helped to correct this problem, but not the problem of the additional funds to comply with the ruling. For data concerning the Consumer's Price Index see Economic Indicators: December 1970 (Washington, 1970), p. 26.

more than offset the 24 per cent increase in welfare expenditures per year for the past five years.<sup>15</sup>

TABLE VIII  
AVERAGE MONTHLY PAYMENT PER AFDC FAMILY AND CHILD  
IN THE STATE OF TEXAS, 1951-1970\*

Year	Monthly Payment Per Family (1)	Monthly Payment Per Child (2)	Annual Percentage Change in Family Payments (3)	Annual Percentage Change in Child Payments (4)
1951	\$ 44.11	\$15.56	-	-
1952	49.87	17.27	13.1	11.1
1953	64.88	22.32	30.1	29.2
1954	62.20	21.38	- 4.1	- 4.2
1955	58.70	20.08	- 5.6	- 6.1
1956	61.23	20.16	4.3	0.4
1957	70.33	22.73	14.9	12.8
1958	70.38	22.53	0.1	- 0.9
1959	70.04	22.21	- 0.5	- 1.4
1960	71.03	22.40	1.4	0.9
1961	75.18	23.69	5.8	5.8
1962	78.35	24.80	4.6	4.7
1963	79.29	24.64	1.2	- 0.7
1964	81.53	23.66	2.8	- 3.9
1965	84.88	24.66	4.1	4.2
1966	93.87	27.34	10.4	10.9
1967	95.51	28.10	2.0	2.8
1968	95.42	27.09	- 0.1	- 3.6
1969	120.37	36.10	26.2	33.3
1970	\$118.84	\$37.10	- 1.3	2.8

\*Source: Data taken from the annual reports of the Texas Department of Public Welfare 1950-1969.

<sup>15</sup>The average percentage increase in welfare expenditures has been adjusted downward by 6 per cent to offset the unusually large increase in 1969.



Therefore, AFDC assistance has been provided to the increasing numbers of qualified recipients but at a reduced level inadequate to meet their real needs.

In summary, these AFDC projections, as well as the empirical data from the past two decades, create the basic foundations for evaluation of Texas' AFDC program. As seen in Tables IV and V, the cost of AFDC assistance will surpass the limit on appropriated funds long before the year 1980. The need for revision of the AFDC structure will not only be in terms of cash assistance payments, but also in terms of additional social services and State funds. Additional revision will also be needed in terms of social services and the AFDC structure.

## CHAPTER VI

### CONCLUSION

The purpose of the AFDC Program in Texas has been to aid dependent children and their families in an effort to break the poverty cycle. The State itself, as well as in cooperation with the Federal Government, has set up various programs and agencies in this effort. Aid has been provided in the form of monetary assistance and social services with the emphasis toward helping the poor maintain and further parental care and protection through increased self-sufficiency and support. However, the success of breaking the poverty cycle has been limited. This has been due to the fact that the actual direction of the AFDC Program has been inconsistent with the Program's original aims. This inconsistency has been the result of several factors including Federal legislative developments and court actions, varied State interpretations of Federal guidelines, and State Constitutional restrictions. These factors have caused a divergence of the AFDC Program away from its original goals. Even more so, these factors have brought about instability in the supportive functions of the Program making the fulfillment

of the Program's objectives extremely difficult, if not impossible. This has been basically due to the restrictions placed on welfare appropriations by the Texas State Constitution. "In no other area of State finance has the public demanded to retain a Constitutional 'hold' on appropriations as with welfare."<sup>1</sup>

The general distaste for the entire concept of public welfare is expressed in the singling out of this one aspect of State responsibility for special treatment in the constitution.<sup>2</sup>

The constitutional ceiling placed on welfare appropriations has forced the State to adopt alternative measures such as the ratable reduction formula in the determination of AFDC grants in its efforts to fulfill the Program's guidelines. The ceiling has also reduced the amount of Federal matching funds by restricting the upper limit of State appropriations for welfare. The results of these restrictive actions have been insufficient aid for dependent children and their families to combat the rising costs of living and unemployment. This has further perpetuated the poverty cycle as seen in the increase of the poor in Texas over the past ten

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<sup>1</sup>Breaking the Poverty Cycle in Texas (Austin, 1971), p. 52.

<sup>2</sup>ibid.

years. Therefore, this raises the question of an alternative approach to the present AFDC Program and its operation. Should the State remove the ceiling on welfare appropriations releasing more State and Federal funds to meet the increasing needs in AFDC or continue with the present restrictions? The answer to this question involves financial as well as social implications.

In terms of economy and revenue-sharing it would be extremely beneficial for the State to remove the Constitutional ceiling and accept Federal matching funds which have brought in more than two Federal dollars for every State dollar to improve the quality of life in Texas. In relation to the next biennium appropriations, two-thirds of the appropriations would come from Federal matching funds.

From a purely business point of view, the most productive revenue-sharing of Texas may be to let the Federal government continue to assume as much of the welfare costs as possible, for these costs are even out-distancing in quantity the proportionate increases in Washington-bound Texas dollars.<sup>3</sup>

In terms of the social objectives of the welfare program, continuance of the present assistance program will force AFDC payments for families to drop to 40 per cent of need, a decrease from \$119 to \$48 a month per family by

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<sup>3</sup>Ibid.

June, 1971.<sup>4</sup> This cut in cash assistance would make the strengthening of the family unit and the care of dependent children in their own homes extremely difficult.

Finally, in a discussion of costs and appropriations one must also consider the real human needs which the State must meet, or fail to meet. This again raises the question of economy and also efficiency.

Economy and efficiency must be judged in terms of objectives. In business, management is economical and efficient if it creates profits. In public welfare, however, management is economical and efficient only if it makes possible a decent standard of treatment for the human beings who are the subject of management.

Low per capita and total costs may show economy in welfare spending but they usually indicate inadequate staffs and poor quality services which in time require even greater expenditures for correction.<sup>6</sup> Therefore, Texas must restructure its AFDC assistance program so as to accomplish economy and efficiency not only in an economic sense but also in terms of social and human needs. This is significant in that it implies that the monetary and the budgetary problems of AFDC can not be considered the only, nor even

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<sup>4</sup>Ibid., p. 56.

<sup>5</sup>Texas Children (Austin, 1938), p. 857.

<sup>6</sup>Ibid., p. 858.

the major, problem or cost. There are also human costs, "lives wasted in a culture of poverty,"<sup>7</sup> which must be considered. In these terms no one can calculate the cost of failure to provide adequate assistance to the poor. Texas can no longer continue to provide public assistance to the increasing number of AFDC recipients by reducing the amount of support per recipient. To break the poverty cycle Texas must operate its AFDC Program with the aim of fulfilling the social and material needs of dependent children and their families. Until this is resolved, Texas will continue to have budgetary as well as related problems in its AFDC Program.

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<sup>7</sup>Ibid.

## APPENDIX A

This appendix describes the derivation of the caseload rates that are used in the AFDC cost projections from 1970 to 1980. In the determination of a realistic caseload rate, in relation to past trends, 25 per cent of all grants are considered to be terminated due to family related reasons. However, 2 per cent of all terminated cases that are appealed are reinstated, an action which readjusts the number of eligible families to 77 per cent. In addition, 6.2 per cent of all cases which are reinvestigated result in an upward adjustment in the amount of the AFDC grant. Assuming the average increase in grant revision to be 20 per cent, this would generate additional expenditures equivalent to a 2 per cent increase in the number of eligible families. Therefore, the total number of eligible families now becomes 79 per cent of the total caseload rate. For example, a caseload rate of 1000 per month would become 790 after a 21 per cent decrease in the caseloads due to the adjustment process. In relation to the AFDC projections the caseload rates, 2,425 families and 6,948 children per month, would be readjusted to 1,915 families and 5,489 children per month, 79 per cent of the total caseload rate.

## APPENDIX B

This appendix describes the derivation of the caseload and cost projections for the AFDC Program in the State of Texas from 1970 to 1980 that are presented in Table IV. In columns 1 and 2 of Table IV the number of AFDC families and children were determined by the use of refined caseload rates as developed in Appendix A. Column 3 is the monthly expenditure of AFDC assistance based on maintaining the level of 75 per cent of recognizable need. This constitutes the computation of assistance by multiplying column 1 by \$118.94 for each year. The annual expenditures of column 4 are the monthly expenditures expressed in column 3 multiplied by 12. Columns 5 and 6 are additional cost variables that must be considered. The cost of living increases computed in column 5 as 6.2 per cent of the annual expenditures of column 4 are included because of the recent court decision Jefferson v. Hackney. This ruling made it mandatory for AFDC grants to rise proportionately to changes in the consumer price index. Thus, the Welfare Department has introduced this variable to appropriate the additional funds necessary to comply with the court ruling. The



administrative cost increase, column 6, computed as 8 per cent of the annual expenditures each year is included because of the recent increases in administrative services due to the rapid growth in caseloads. Column 7 is the sum of columns 4, 5, and 6 giving the total annual costs of AFDC assistance for each year. Columns 8 and 9 compute the portion of the total annual costs that the State must pay according to the Federal matching formula. In column 8 the State's portion is computed as 20 per cent of column 7. Column 9 computes the State's portion of total AFDC costs as 33 per cent which is the new Federal matching formula. In all the computations the numbers were calculated to the nearest hundreth and rounded in the table to facilitate the reading of the data.

## APPENDIX C

This appendix describes the derivation of the caseload and cost projections for the AFDC Program in the State of Texas from 1970 to 1980 as presented in Table V. The only difference between the derivation of Table V and the derivation of Table IV as developed in Appendix B is that the cost variable differs. In Table V the cost variable is 62 per cent of recognizable need, the Federal minimum for continuance of matching funds. The use of this cost variable in the computation of column 3 will result in lower figures in each of the remaining six columns.

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