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Boston Municipal Research Bureau.

FEDERAL AID PROGRAMS IN MASSACHUSETTS.

— Prepared for

Massachusetts Special Commission
on Intergovernmental Relations.

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Boston Municipal Research Bureau
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FOREWORD

Federal aid programs are summarized here in the second of a series of compilations showing the relationship of government units in Massachusetts. Contents include the purpose of the various Federal grants, the basis of their apportionment among the states, the more important conditions and limitations under which grants are made, and the use of Federal funds by the Commonwealth and localities. Individual programs are grouped functionally.

The term Federal aid is intended to cover cooperative arrangements where the following elements are present:

- (1) A payment by the Federal government to the Commonwealth or a political subdivision for a specified activity.
- (2) Performance of such activity by an agency of state or local government.

Cooperative programs which do not entail payments, such as the public works reserve, are therefore omitted. Activities wholly under Federal control, such as the agricultural adjustment program, are naturally excluded. While Federal aid of the type under consideration leaves many aspects of intergovernmental relations untouched, such assistance programs are nevertheless a logical starting point in a broad-gauged inquiry.

The general question of Federal grants may be approached from several points of view. They are a significant method of equalizing taxes among the states. The Federal programs, by encouraging expansion of activities, have resulted in an increase in the direct cost of state and local government. Their social implication lies in the fact that they have fostered an increase in both the scope and quality of government services. Federal grants have also had a marked bearing upon constitutional development.

Administrative consequences of Federal aid have engrossed attention. Standards of performance are set forth in broad statutory terms and given meaning by Federal authorities through rules and regulations. State departments must adjust their procedures accordingly; and the application of Federal requirements to cities and towns has introduced many new problems of intergovernmental relations.

To some extent the war has already changed Federal aid policies. Limitations have been removed from the housing, highway and other essential public works programs. Matching provisions are frequently laid aside. States and local communities tend more and more to become agents of the Federal government.

Payments in Massachusetts. A decade ago Federal aid in Massachusetts comprised only a fraction of one percent of governmental revenues. In 1941 Federal aid, as narrowly defined, accounted for some 6% of all revenues of state and local government in Massachusetts.

Below is a table showing Federal payments in Massachusetts and all the states under the principal grant-in-aid programs. Figures are from the report of the secretary of the Treasury for the Federal fiscal years ending June 30, 1930 and 1941. They do not agree in detail with corresponding figures in the body of the report, which are based as far as possible upon transactions during the state fiscal year ending November 30.

*Payments within States for Federal Aid Programs,
1930 and 1941
(Fiscal year ending June 30)*

Program	1930		1941	
	Massachu- setts	All States	Massachu- setts	All States
Agricultural Colleges	\$50,000	\$2,400,000	\$121,970	\$4,855,496
Agricultural Experiment Stations	90,000	4,320,000	108,182	6,658,949
Agricultural Extension	54,276	7,527,531	135,931	18,142,823
Emergency Public Works (PWA)			1,549,353	112,768,102
Forestry	31,592	2,911,575	36,943	3,491,260
Highways	1,546,517	75,801,745	2,469,278	169,458,901
Housing - Annual Subsidies			6	4,761,529
Infant Hygiene		9,522		
National Guard	1,575,954	30,153,746	2,641,009	55,335,136
Social Security			22,088,955	414,560,308
State Homes for Veterans	42,260	560,000	108,488	1,365,186
State Marine Schools	25,000	75,000	30,841	159,524
Vocational Education and Rehabilitation	265,232	8,088,674	544,026	21,946,971
Vocational Training of Defense Workers			1,833,531	61,017,297
Wildlife Restoration			7,139	1,147,567
Total	\$3,680,831	\$131,847,793	\$31,675,652	\$875,669,049
Work Relief (WPA)			56,352,295	1,258,760,370
Grand Total	<u>\$3,680,831</u>	<u>\$131,847,793</u>	<u>\$88,027,947</u>	<u>\$2,134,429,419</u>

Prior to the depression Federal grants included a wide range of activities, but they were still a minor phase of government finance. Their earlier growth was largely prompted by special interests and by the presence of a bulging treasury. Within recent years, however, Federal aid has increased enormously, and the interests affected are equally extensive. Federal assistance is now a major segment of the national economy.

Most of the huge increase in Federal aid is explained by Social Security grants and the work relief program. Even if WPA is set apart because it does not conform exactly with the definition of a grant-in-aid, social services are still chiefly responsible for the rise in Federal assistance.

At the same time the table discloses a decided expansion in the older programs. Highway aid more than doubled, and established programs in agriculture, forestry, and education reflect a similar growth. Residual effects of Federal emergency relief activity are seen not only in WPA but also in the payments for emergency public works. Effects of the war appear in the very considerable payments for vocational training of defense workers.