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SSI marked a point of departure from traditional welfare practice. The nation's welfare system began in 1935 with the creation of individual state programs to aid the needy elderly, dependent children, and the blind. Without exception, a person needed to pass a "means test" — prove he was poor — before he could receive welfare benefits. Social insurance benefits, by way of contrast, came to people as a matter of right, no matter how poor or rich they were. Although the states received money and advice from the federal government, they ran the welfare programs by themselves and paid the benefits, which varied widely, depending on a state's economic conditions and its attitudes toward welfare. In 1950, Congress created a new welfare category: aid to the permanently and totally disabled. This situation persisted until 1972, when SSI was created.

Beginning in 1974, SSI replaced the old state-run programs for the blind, the permanently and totally disabled, and the elderly with a new federal program that guaranteed all three of these groups a minimum income. Although the states could choose to supplement the minimum payment, the federal government assumed the basic responsibility for funding and administering SSI. Congress entrusted the Social Security Administration with running this new program, and the Social Security Administration placed responsibility for determining eligibility for the blind and disabled under the control of the state-federal disability determination system. In most states that meant that the process of declaring someone disabled and eligible for welfare was transferred from the state welfare department to the state disability determination unit, usually housed in the state's rehabilitation agency.