

M O N T A N A  
**Policy Review**

A Publication of the Local Government Center

Vol. 8, No. 1

Spring 1998

**WELFARE REFORM: A PROGRESS REPORT**

The Impact of Welfare Reform on Montana's Child Care Capacity  
*Stephanie Gray*

CHIPping in for Kids: Providing Health Care Coverage for  
Montana's Uninsured Children  
*Eleanor Hamburger and Carson Strege-Flora*

Mean Spirited Politics  
*Renee Harris*

The School Lunch Program  
*Heather Farrell*

The New West Boom Towns, the Ecological Trap, and Migration  
*Dr. Jerry Johnson*

**REGULAR FEATURES**

Reflections on Local Governance

Cracker Barrel by *Bill Kennedy*

Visit our Web Site

Local Government Calendar

Local Government Center Publications

*A biannual analysis of public policy issues confronting Montana's communities and those who serve them.  
Made possible, in part, by the Northwest Area Foundation.*

**Local Government Center  
Dept. of Political Science  
Montana State University  
Bozeman, MT 59717**

**phone: (406) 994-6694  
e-mail: [upojm@montana.edu](mailto:upojm@montana.edu)  
web site: [www.montana.edu/wwwlgc](http://www.montana.edu/wwwlgc)**

# M O N T A N A Policy Review

---

## REFLECTIONS ON LOCAL GOVERNANCE

---

After eighteen months of welfare reform most Montana policy makers should have a sense of accomplishment in achieving at least a 30 % reduction in FAIM case loads. At the local level however, county welfare directors and knowledgeable county commissioners still fret about several implementation issues threatening the continuing success of Montana's efforts to move the poor from welfare to work.

Among these worrisome policy issues, none is more important than expanding the availability and affordability of safe child care for low income families, especially those transitioning from welfare to work. As Stephanie Gray points out in her article examining the impacts of welfare reform on Montana's child care capacity (p.1), little will be accomplished by requiring a welfare mom to take a \$5.75 per hour service job if she has to pay \$2.00 per hour for child care. If FAIM is to continue its success in moving welfare clients to paying jobs, most of which will surely be in Montana's relatively low wage service sector, then the state simply must increase funding for *work enabling* child care assistance. Montana's program is presently funded to provide assistance to those whose total income is at 125% or less of the poverty level. For a family of three in Montana that equals a rather modest \$17,000 per year. As an incentive to move from welfare to work, many states now help low income families advance in the work force by providing child care assistance to those at 185% of the poverty level income (\$25,000 for a

family of three). So should Montana. Otherwise, the best FAIM outcome we can hope for is that it will simply increase the number of working poor, which already includes 25% of all Montana families.

Health insurance coverage for our most at risk kids, the children of low income families, is also an issue of considerable concern as we move forward with welfare reform. Thanks to the leadership of Governor Mark Racicot and State Auditor Mark O'Keefe, Montana has already implemented a preliminary program to provide minimum health coverage for Montana's poorest kids. Concurrently, the Department of Public Health and Human Services has submitted its proposal to the feds for \$10 million per year to help fund a comprehensive Children's Health Insurance Program (CHIP) for Montana's 27,000 kids who presently have no health insurance. However, co-authors Eleanor Hamburger and Carson Strege-Flora of Montana Peoples Action argue persuasively in their advocacy piece at page 18 that the state's CHIP proposal should rely upon the existing and comparatively cheap Medicaid infrastructure rather than creating a new private sector program in which child care coverage would have to compete with bottom line profits. Stay tuned as this critical policy issue works its way through the policy making process.

As a result of our modest efforts to assist county governments as they learn to cope with the devolution of welfare responsibilities, we have come to realize just how important Montana's community based nutrition programs

are to the health of our low income neighbors....and especially their children. Those of us old enough to remember the hard times of the 1930s don't need much reminding to recall the painful reality of bare cupboards. Renee Harris' passionate piece at page 27 helps us all to remember that hunger is still a reality and to recognize the importance of our community food banks and food pantries in responding to sharply reduced federal nutrition programs. Heather Farrell also documents the increasing importance of K-12 subsidized lunch programs as more and more families move from welfare to low income work and who will, of necessity, enroll their kids in the National School Lunch Program.

Finally, Yellowstone County commissioner Bill Kennedy highlights a policy

issue of particular concern to local officials in his *Cracker Barrel* piece at page 15. As only Bill can, he lays it out simple and straight: *Local input and local control is very important if this reform program is to be successful but we need to remember exactly what the focus is for welfare reform: to help people join the work force and to empower families to become self sufficient.*

If self-sufficiency for every Montana family is indeed the goal of welfare reform then the policy issues identified above and described in depth herein simply must move closer to the top of Montana's problem solving agenda. Otherwise, welfare reform will achieve little more than shifting responsibility and costs to local government.



**Kenneth L. Weaver, Director  
Local Government Center**



# MONTANA LOCAL GOVERNMENT POLICY COUNCIL

<p>Representative David Ewer House District 53</p>	<p>Cal Oraw Council Member, Sidney</p>
<p>Representative John Bohlinger House District 94</p>	<p>Clark Johnson City Manager, Bozeman</p>
<p>Senator Dorothy Eck Senate District 15</p>	<p>Dr. Peter Blouke, Director Department of Commerce</p>
<p>Senator Don Hargrove Senate District 16</p>	<p>Wyman McDonald Coordinator of Indian Affairs</p>
<p>Mike Mathew Yellowstone County Commissioner</p>	<p>Mae Nan Ellingson, Esq. Dorsey &amp; Whitney</p>
<p>Janet Kelly Custer County Commissioner</p>	<p>Dennis Burr Montana Taxpayers Association</p>
<p>Harold Blattie Stillwater County Commissioner</p>	<p><b>EX-OFFICIO MEMBERS</b></p>
<p>Bill Rappold Pondera County Commissioner</p>	<p>Alec N. Hansen League of Cities &amp; Towns</p>
<p>Mike Kadas Mayor of Missoula</p>	<p>Gordon Morris Montana Association of Counties</p>
<p>Phyllis Leonard Mayor of Havre</p>	<p>Newell Anderson Local Government Assistance Division</p>

## LOCAL GOVERNMENT CENTER STAFF

<p>Dr. Kenneth L. Weaver Executive Director</p>	<p>Stephanie Gray Research Associate</p>
<p>Judy Mathre Associate Director</p>	<p>Kim Miller Administrative Assistant</p>
<p>Priscilla Westesen Senior Research Associate</p>	<p>Donna Swarthout Research Assistant</p>
<p>Anna Burton Program Assistant</p>	<p>Heather Farrell Administrative Assistant</p>

M O N T A N A  
**P**olicy **R**eview

VOLUME 8, NUMBER 1

Spring 1998

**WELFARE REFORM: A PROGRESS REPORT**

The Impact of Welfare Reform on Montana's Child Care Capacity  
*Stephanie Gray*.....1

CHIPping in for Kids: Providing Health Care Coverage for Montana's Uninsured Children  
*Eleanor Hamburger and Carson Strege-Flora*.....18

Mean Spirited Politics  
*Renee Harris* .....27

The School Lunch Program  
*Heather Farrell*.....30

The New West Boom Towns, the Ecological Trap, and Migration  
*Dr. Jerry Johnson* .....33

**REGULAR FEATURES**

Reflections on Local Governance.....i

Cracker Barrel .....15

Visit Our Web Site .....39

Local Government Calendar.....40

Publications.....41

---

The viewpoints expressed in the articles published in the Montana Policy Review are those of the authors and do not necessarily reflect the views of the Local Government Center, Montana State University or the Northwest Area Foundation. The Local Government Center neither endorses nor advocates the adoption of any public policy.

---





# THE IMPACT OF WELFARE REFORM ON MONTANA'S CHILD CARE CAPACITY

By: Stephanie Gray, MPA  
Research Associate, Local Government Center

The success of welfare reform depends on the existence of affordable, available child care. Families can not maintain self-sufficiency while working at \$5 to \$6 an hour jobs and paying \$2 an hour in child care costs. This study examines the effects of welfare reform on Montana's child care capacity. A county by county study of child care vacancies will show that the more populous counties have a lower capacity to meet the child care needs of those welfare recipients returning to work. A capacity impediment also exists in smaller counties which may have few welfare recipients but little or no available child care.

*...the risk for all low wage workers, including those still on welfare, those moving from welfare to work, and those who have never been on welfare, is that they will be forced to leave work because of not being able to find or afford child care.*

Welfare recipients in these counties will have a difficult time gaining self-sufficiency if they

are unable to find or afford child care. A second consideration in assessing the impact of welfare reform on the child care system is the program that assists low income families with child care costs. This program has nearly doubled its spending since the implementation of Families Achieving Independence in Montana (FAIM). Putting even more families back to work will increase the cost of this program. An examination of these cost projections are included in this report.

Since the implementation of welfare reform, affordable and accessible child care has been increasingly difficult to find for all families. The goal of reform is to move families back to work. Assuming that half of the 8,989 Montana families who were receiving welfare cash assistance in 1995 will need child care assistance as they move into the work force, it is easy to see how this shift will burden an already over burdened child care system. At present over 500 families have been put on a waiting list for child care assistance. Hence, the risk for all low wage workers, including those still on welfare, those moving from welfare to work, and those who have never been on welfare, is that they will be forced to leave work because of not being able to find or afford child care.

As welfare recipients return to full time work an added strain will be placed on the current child care assistance programs and providers. In 1994, 62% of mothers with children under the age of six worked; that number rises to 78% when children over the age of six are included. Of the mothers that work, 80% use a non-parental form of child care arrangement. In 1995, three-quarters of the households receiving Aid to Families with Dependent Children (AFDC) were headed by a single adult—mostly mothers. It is not surprising therefore that, in a report produced by the Montana Department of Health and Human Services (DPPHS), 26% of the families surveyed reported that lack of child care or the inability to afford child care was the primary reason they applied for public assistance. Providing a child care assistance program that supports families up to 185% of poverty level income is one critical variable in assuring continued welfare reform success. This conclusion emerges from an analysis of the following three questions addressed in this report:

- 1) Does Montana have adequate child care capacity to absorb families moving from welfare to work?
- 2) At what level of family income should Montana help support families in meeting their child care needs?
- 3) What policy alternatives are available to Montana to help working families with child care costs, thereby enabling them to remain in the work force?

The quality of child care is also a critical issue for state policy makers. The children of families leaving welfare to go into

work are the very children most at risk. They have been living in poverty and will most likely continue to live at or near poverty levels as their parents return to work. This additional responsibility adds pressure to families already living under stressful conditions. These children need a safe and reasonably comfortable learning environment which will allow their abilities and personalities to mature normally. While the focus of this report is on the capacity of the state's child care system, the equally important policy question of *quality* child care must remain on the public agenda and will be addressed in a subsequent study.

### **Changes to Montana's Child Care System:**

Federal welfare reform consolidated four child care programs into one Child Care and Development Fund (CCDF). This Fund is administered at the state level by DPHHS, through the Early Childhood Services Unit. Also an integral part of the Montana child care system are the 12 Resource and Referral (R&R) agencies located across the state. These are private, nonprofit organizations that provide communities with child care referrals and resources. The mission of these organizations is to promote the availability of quality child care. The state contracts with the R & Rs for a variety of services, one of which is to determine a family's eligibility for CCDF assistance. These are the local agencies that have direct contact with families receiving services and those entities providing child care services.

The new CCDF combines federal and state funding to assist low income families with the cost of child care. These subsidies are for working families or families preparing for work. The United States Department of Health and Human Services targeted this funding to

families who have incomes up to 85% of a state's median household income. In 1998 Montana's median income for a three person family was \$36,110. Therefore, Montana is allowed to provide child care assistance for a three person family earning up to \$30,693 which is about 205% of poverty level income. However, the level at which a state wishes to provide child care assistance is determined by the state itself. Montana chose to provide assistance for families living at or below 185% of poverty. This level of services was implemented on October of 1997. By January 1998, only four months after the implementation of the 185% of the poverty threshold, there was a waiting list of over 500 families eligible to receive child care assistance.

***By January 1998, only four months after the implementation of the 185% of the poverty threshold, there was a waiting list of over 500 families eligible to receive child care assistance.***

In addition to that waiting list there were families who were in the process of moving from welfare to work who were also waiting to receive child care assistance. In an effort to remedy this immediate and critical problem the Statewide Child Care Advisory Council requested a transfer of \$5 million from the TANF Block Grant to the CCDF. This additional \$5 million for child care assistance allows the state to serve families at or below 125% of the federal poverty index. This transfer was completed and families were being selected from the waiting list by early March. Families at 150% of the poverty level

are not being selected and are not receiving child care assistance.

A second, critical recommendation made by the Child Care Advisory Council is to reduce the upper limit of the sliding fee scale from 185% of poverty to 150% of poverty. Families may enter the assistance program at or below 125% of poverty and can *stay on* the program up to 150%. However, families with incomes between 126% and 149% of poverty may not, at present, enroll in the program. In addition, families will be required to participate in the Child Support Enforcement program, and a single parent will be required to work 60 hours per month while a two parent family will be required to work 120 hours a month. These amendments will require an administrative rule change and Early Childhood Division officials believe that the public comment period on these changes will be conducted sometime in July 1998.

#### **Child Care Capacity in Montana:**

This study defines capacity as the ability of current child care providers, registered and "legally unregistered", to absorb current FAIM recipients. Simply put, are there enough child care openings for the welfare recipients who will be returning to work under FAIM? There are two systems in place that provide limited data to answer this question. The first system is the Quality Assurance Division under DPHHS. This division is responsible for maintaining child care licensing. The second system is the child care Resource and Referral network. These agencies keep track of available child care openings. However, neither one of these two sources can provide a comprehensive answer to the question. By combining data from both systems some conclusions are possible.

The number of children currently on cash assistance is easily determined. The number of kids being served under Pathways is reported monthly. (Table 1 & 2 at end of this article; See rows titled FAIM Kids) Obviously not all of these children will need child care as their parents transition into work. The U.S. Department of Health and Human Services reports that 46 % of mothers that receive AFDC (FAIM) benefits have children age 5 or younger. In Table 3, Column 5, numbers reported are calculated as equivalents of 46% of the kids being served under the Pathways Program. Therefore, using national standards we may estimate how many Pathways children in each Montana county will need child care as their parent moves into work. These numbers only include children under the age of 5 and *do not* include children needing after school and summer care, which is usually required up to the age of 12 years.

***...65% or 36,179 of these children will need child care. These numbers alone suggest that 10,658 additional child care spaces are needed in Montana.***

A report from the Quality Assurance Division provides the number of facilities, type of facilities and the number of children each facility can hold.(Table 3, Column 2) It does not provide any information on the current usage of reported facilities and it does not include Head Start facilities. As of February 1998, Montana had a total of 25,521 child care slots. In 1996 it is estimated we had a population of 55,660 children under the age of 5. As noted above, 65% or 36,179 of these children will need child care. These

numbers alone suggest that 10,658 additional child care spaces are needed in Montana.

Although the data from the Resource and Referral agencies are, as yet, incomplete, some preliminary conclusions concerning available child care capacity are possible. The data in Table 3, Columns 3 and 4, are from R&R's which submitted reports in January, February, and March 1998. As can be seen from Table 3, there are no child care openings in Carter, Garfield, Powder River, Rosebud, Treasure and Wibaux counties. In some counties the child care capacity would need to be doubled in order to absorb the estimated need of clients coming off welfare and entering the work force. These include Blaine, Flathead, Hill, Lake, Lincoln, Mineral, Missoula, and Sanders counties. Obviously welfare recipients are not all going to exit welfare in one instant. However, these fragmentary numbers do demonstrate the seriously low child care capacity of some counties.

#### **Low Income Need:**

*"By 1990, families with children under three years of age constituted the single largest group living in poverty in the United States: 25 percent of these families fall below the poverty line....Across all ethnic groups and family structures, more children under three live in poverty than do older children, adults, or the elderly." <sup>1</sup>*

If welfare reform is to succeed and families are to become self-reliant, child care assistance must follow them until their income reaches levels of self-reliance. An informal survey of WoRC operatives across the state found that a majority of the recipients who

move into work are employed at \$5.15 to \$ 6.00 an hour. Montana Job Training and Partnership agencies which work with welfare recipients who have fewer employment obstacles, report an average wage of \$7.99 for their welfare to work clients.

A minimum wage job for a family of three means that the family is living below the poverty level. An \$8.00 an hour job is 120% of poverty for a family of three. Too many Montanans work in low wage jobs as evidenced by a 1996 per capita income level for Montana of \$19,047 which ranks Montana as 45<sup>th</sup> of the fifty states. The Montana Department of Revenue reported in 1996 that there were 26,141 Montana households living at or below 110% of poverty; that's 22% of the households that filed state income tax returns. (See Table 4) We must note that many welfare recipients don't file income tax returns and therefore this estimate is quite conservative.

***The Montana Department of Revenue reported in 1996 that there were 26,141 Montana households living at or below 110% of poverty..***

These income figures support the conclusion that most welfare recipients will get work that will pay between \$10,000 and \$16,000 per year for a full-time job. This will place welfare recipients and working poor families in direct competition for child care assistance. Hence, because most families leaving welfare will remain at or below 125% of poverty level income, affordable child care programs must be in place to support this

growing pool of working poor families or FAIM will fail to sustain its early successes in reducing welfare case loads.

### **Policy Issues and Options:**

As detailed above, DPHHS is considering limiting the scope of child care assistance eligibility to its lowest income clients. Under federal law, the program could serve families with income at or below 205% of poverty. However, due to funding limitations and the rising cost of the program, the department has found it necessary to limit access to those families at or below 125% of the poverty level and is attempting to lower the maximum to 150% of poverty. If the state maintains the eligibility threshold at 150% of poverty, it will finish FY 1998 at or close to its \$13.5 million budget. (Table 5)

As can be seen by the projections in Table 5, DPHHS can continue to provide services to those families already receiving child care assistance and continue to extend services to those families on the waiting list who are at or below 150% of poverty. The policy question then becomes "What about the 12,968 kids currently receiving FAIM services?" Using the national average of 46%, there are some 5,965 of those kids who are under five years of age. The answer requires that we project the rate at which current welfare recipients will move off welfare and into work therefore requiring child care assistance. At the end of each fiscal year the number of served families and the corresponding budget requirements will have to be re-evaluated. However, based upon on this report's projections, the state could support families at or below 150% of poverty with an additional \$4 million per fiscal year and could

support child care assistance for families at or below 185% of poverty with an additional \$5.5 million per fiscal year.

The Center on Budget and Policy Priorities recently reported that "safety net programs lifted 27 million people out of poverty last year, cutting the size of the poverty population nearly 50 percent". As a

***...the state could support families at or below 150% of poverty with an additional \$4 million per fiscal year and could support child care assistance for families at or below 185% of poverty with an additional \$5.5 million per fiscal year.***

result, Montana will have more money to spend on child care assistance as a result of the reduced welfare caseload. By 2002, 50% of FAIM clients must be involved in work. This reduction translates into cost savings and greater need for child care assistance. To make welfare reform work in Montana, our child care programs need to be seen by policy makers as an incentive to enter and continue in the workforce rather than as a continuation of old fashioned welfare handouts.

Moreover, good quality programs for young children living in poverty have lasting benefits and a significant return on the public investment. A longitudinal study of one such program found a \$7.16 return for each dollar invested. Some of the savings were due to reduced special education costs and welfare costs and higher productivity of the future workers. Other studies have found that high

quality care pays off in higher academic performances, lower delinquency and teenage pregnancy rates, better earning prospects and reduced placement in special education. As suggested by the policies put into place by other states, Montana policy makers have a number of options to consider to improve the child care capacity of the state. For example:

*Oregon:* Provides child care for families earning up to 200% of the poverty level.

*Rhode Island:* Provides child care to any family (with a child under 13) with incomes at or below 185% of the federal poverty level.

*Illinois:* Offers a child care subsidy to any family making less than \$22,000 a year. The General Assembly approved a \$100 million increase in child care funding; \$30 million more than the Governor requested.

*Maryland:* Uses savings from reduced caseloads to improve child care.

***To make welfare reform work in Montana, our child care programs need to be seen by policy makers as an incentive to enter and continue in the workforce rather than as a continuation of old fashioned welfare handouts.***

*Colorado:* Governor organized a council on child care composed of public and private sector to address the issues of child care and to begin the dialogue in the private sector.

22 States: Provide child care subsidies to families over 185% of poverty, the highest being Connecticut which subsidizes families up to 294% of poverty.<sup>2</sup>

### **Conclusion:**

This study demonstrates that as FAIM continues to succeed and as former welfare clients move from welfare to work, the supply of child care spaces will not be sufficient. Because of the nature of the Montana economy, we already have a significant number of working poor families; perhaps as much as 24% of Montana families are working poor. As former welfare recipients move into the work force, added pressure will be placed on families that have relied on the present child care assistance program. This study recommends that, in the near term, the state maintain its child care assistance threshold at 150% of poverty and that it set a goal of providing child care assistance to families with incomes up to 185% of poverty. Additional child care policy issues raised by this study suggest that the state consider the following imperatives:

1. Create a child care system that provides an incentive to pursue work that will lead to family self-sufficiency;
2. Child care subsidies should be tied to quality child care programs;
3. Eligibility for child care assistance should be based on income and avoid competition between welfare recipients and the working poor.

Policy should support all families, including those on welfare, those currently moving from welfare to work, and those working poor that have never been on welfare but have relied on child care assistance;

4. Create incentives to child care providers who fill gaps in delivery to infants and workers with a nontraditional schedule. Provide incentives to providers and businesses that establish or expand child care capacity.

5. Provide incentives to high quality programs that serve working poor because these are the most at risk children who will cost the system more in the future if early prevention programs are not put in place; and

6. Provide child care assistance on a broad sliding scale so that employment is rewarded and cash dependence is reduced. Eventually families will no longer need child care assistance as children get older or employment gains are made.

**Sources:**

Center on Budget and Policy Priorities, "The Safety Net Delivers, The Effects of Government Benefit Programs in Reducing Poverty". <<http://www.cbpp.org/>> November 15, 1996.

Joan Davies, Director of Gallatin and Madison County Office of Public Assistance.

Impact of the Child Care and Development block Grant on the Montana Child Care System 1990-1996, pg. 16.)

Schweinhart, L., Barnes, H., & Weikart, D. (1993). Significant benefits: The High/Scope Perry preschool study through age 27. (Monographs of the High/Scope Educational Research Foundation, 10)

Claudia Venditti, Executive Director of Child Care Connections, Bozeman, MT.

Sherrie Heffelfinger, Research Analyst, Montana Legislative Services Division.

Randy Haight, Child Care Resource and Referral Coordinator, Montana DPHHS - Child and Family Services.

Libby Hancock Mack, Early Childhood Specialist, Montana State University.

Ellin Nasset, Director, Head Start, Human Resources Development Council, Bozeman, MT.

Patti Russ, Child Care Specialist, Early Childhood Services, DPHHS - Child and Family Services.

Linda Fillinger, Child Care Specialist, Early Childhood Services Unit, Department of Public Health and Human Services.

Resource and Referral Agencies

Statewide Child Care Advisory Council

**Notes:**

1. Carnegie Task Force on Meeting the Needs of Young Children. Starting Points: The Report of the Carnegie Task Force on Meeting the Needs of Young Children. April 1994. Pg. 17.

2. Children's Defense Fund, States Struggling to Meet the Child Care Needs of Low-Income Working Families, March 1998.



## Appendix

**Table 1: FAIM Caseload Analysis Compared to Child Care Services**

	FY 94	FY 95	FY 96		FY 97
AFDC/FAIM KIDS	22,679	22,073	20,892	F A I M  I M P L E M E N T E D	17,270
AFDC/FAIM ADULTS	12,148	11,658	10,926		8,786
AFDC/FAIMKID AND ADULT TOTALS	34,827	33,731	31,818		26,056
(1) NON-CASH ASSISTANCE CHILD CARE KIDS	6,407	7,447	22,923		30,992
(2) CASH ASSISTANCE CHILD CARE KIDS	14,440	15,442	13,002		11,647

(1) This row includes only Transitional and At Risk Pilot Project for FY 94/95. FY 96/97 Block Grant, Extended, and Job Supplement are added. In other words families that are working but receiving child care assistance.

(2) This row includes JOBS and AFDC-Self Initiated families in FY 94/95. In FY 96/97 FAIM Employment and Training is added. These families are receiving both cash assistance and child care assistance.

### Analysis of Table 1

The above numbers represent what happened to the cash assistance cash load when FAIM was implemented. It also demonstrates what happened to the child care cases with FAIM implementation. As logic would predict the child care non-cash assistance cases went up as parents left welfare and returned to work. These numbers are average monthly State totals.

Child Care numbers were broken down into two categories. (1) Families that received only child care assistance. (2) Families that received child care assistance and cash assistance. These numbers are State totals of children served, not averages. As FAIM was implemented the number of children receiving child care assistance and cash assistance went down while the number of child care assistance only increased. This supports the thought that as families move into low paying jobs there is an increased demand for child care assistance programs.

**Table 2: Monthly numbers for FY98.**

	July '97	Sept. '97	Nov. '97	Jan. '98	March '98
FAIM KIDS	14,262	13,285	12,806	13,005	12,777
FAIM ADULTS	6,996	6,379	6,193	6,391	6,320
JSP RECIP.	4,000	3,934	3,994	4,137	4,265
TOTAL FAIM KIDS, ADULTS, AND JSP RECIP.	25,258	23,598	22,993	23,533	23,362
(1) NON-FAIM CHILD CARE KIDS	3,114	3,113	2,539	2,133	2,479
(2)FAIM CHILD CARE KIDS	844	838	1,446	1,632	1,814
TOTAL CHILD CARE KIDS NO CPS CASES	3,958	3,951	3,985	3,765	4,293

(1) No CPS cases were included in this analysis. This row includes Block Grant Non-FAIM, At Risk, Transitional, Extended and Job Supplement. The families being served in this row are working poor and receive no cash assistance.

(2) No CPS cases were included in this analysis. This row includes all Kids receiving child care assistance which are also receiving cash assistance. These programs include JOBS, Self Initiated, Block Grant FAIM, Tribal JOBS, Employment and Training.

### **Analysis of Table 2**

The above table reflects the current fiscal year 1998. FAIM Kids and Adult numbers continue a slight decline. If this pattern continues, FY 98 will see a State average of 13,227 kids, 6,455 adults, and 4,066 Job Supplement recipients. This is a total of 23,748 children and adults being served either in the Pathways or Job Supplement Program. Looking at totals for Kids and Adults, Montana's FAIM program has reduced it's caseload since FY 96 by roughly 8,070 recipients or 25%.

Looking at the Child Care numbers working families being served goes down, whereas FAIM families receiving child care increases. The total number of kids being served in the state fluctuates, by March there is a slight increase in the total number of kids being served.

**Table 3: Child Care Capacity**

This table includes only the Counties that participated in research request. Numbers do not include Over-Lap slots.

COUNTY	REGISTERED AND LEGALLY UNREGIS. SLOTS	AVERAGE TOTAL CHILD CARE OPENINGS Jan./Feb./ *Mar.	AVERAGE INFANT (0-12 Months) OPENINGS Jan./Feb./ *Mar.	AVERAGE NUMBER OF KIDS UNDER 5 CURRENTLY RECEIVING PATHWAYS BENEFITS (1)	1996 ESTIMATED POP. UNDER 5 YEARS AND 60% OF POP. (2)	
					POP.	60%
Blaine	103	12	1	186	578	347
Carter	18	0	0	0	85	51
Custer	346	32	4	42	663	398
Dawson	166	24	3	27	514	308
Fallon	76	12	0	0	198	119
Flathead	1544	138	22	272	4306	258
*Gallatin	1787	140	66	114	3628	2176
Garfield		0	0	0	82	49
Hill	476	45	8	200	1296	778
Lake	454	25	10	316	1735	1041
Liberty	21	6	0	1	167	100
Lincoln	245	32	7	144	1171	703
McCone	30	8	2	1	344	206
*Meagher	26	3	1	4	110	66
Mineral	53	7	3	35	216	130
Missoula	3010	269	50	537	5527	3316
*Park	282	63	13	28	961	577
Powder River	30	0	0	1	123	74

Prairie	20	4	0	1	58	35
Ravalli	459	71	19	101	1847	1108
Richland	230	25	3	19	715	429
Rosebud	111	0	0	185	851	511
Sanders	92	9	3	54	585	351
Treasure	0	0	0	1	49	30
Wibaux	3	0	0	3	55	33

\*Some Counties returned data for March. This data was included in the averages.

(1) According to The U.S. Department of Health and Human Services on average 46% of children receiving AFDC benefits are under the age of 5. January 1998 Pathways caseload numbers were used for these figures. This column is the estimated Pathways population under the age of 5 for each county. This will demonstrate the child care need in each county for welfare recipients returning to work.

(2) For this Column the estimated population for children under 5 years is provided, along with 60% of that population. National research has found that on average of those children under the age of 5 60% of their mothers work. This demonstrates the estimated child care need for the general population.

**Table 4: Families Living In Poverty**

Montana Statistics for Households with Dependents, 1996 (Federal Adjusted Gross Income)				
Income	Hourly Wage Range	*Poverty Level	Number of Households with Dependents	Total Dependents
\$0-\$14,999	\$0 -\$7.21	110% and Less	26,141	44,755
\$15,000-\$19,999	\$7.21 - \$9.61	115% - 149%	11,001	19,850
\$20,000-\$24,999	\$9.61- \$12.02	150% - 187%	10,054	19,233
Totals		187% or below	47,196	83,838

Source: Montana Department of Revenue

\*Poverty levels used were based on a family size of three. Poverty scales used were drawn from the Child Care Block Grant Sliding Fee Scale.

The purpose of presenting this table is to demonstrate the number of households with dependents living at or near poverty. Obviously not all these households require child care it is fair to say that at least half of them are living with young children.

**Table 5: Child Care Expenditures and Total Numbers Served**

MONTANA CHILD CARE EXPENDITURES AND TOTAL NUMBERS SERVED (All Numbers are rounded up to the nearest 100th)			
	Actual Cost	Projected funding at 150%*	Projected funding at 185%*
OCTOBER	\$818,500	\$1,369,900	\$1,479,900
NOVEMBER	\$746,600	\$1,369,900	\$1,479,900
DECEMBER	\$795,600	\$1,369,900	\$1,479,900
JANUARY	\$743,300	\$1,369,900	\$1,479,900
FEBRUARY	\$770,200	\$1,369,900	\$1,479,900
MARCH	\$887,600	\$1,369,900	\$1,479,900
APRIL	\$900,000	\$1,369,900	\$1,479,900
MAY	\$1,369,900	\$1,369,900	\$1,479,900
JUNE	\$1,759,200	\$1,759,200	\$1,896,700
JULY	\$1,759,200	\$1,759,200	\$1,896,700
AUGUST	\$1,759,200	\$1,759,200	\$1,896,700
SEPTEMBER	\$1,369,900	\$1,369,900	\$1,479,900
TOTAL PROJECTED SPENDING	\$13,679,200	\$17,606,702	\$19,009,200
CURRENT BUDGETED AMOUNT INCLUDING \$5 MILLION TRANSFER	\$13,500,000	\$13,500,000	\$13,500,000

\*Formula use to Calculate Projections: Numbers used are from the Department of Health and Human Services, Early Childhood Services. Families from the current waiting list were used to determine above projections. The number of families on the waiting list at or below 150% of poverty was 379 families, number at 150%-185% was 654 families. Early Childhood services also reported 1102 families waiting for Extended Child Care assistance. The Extended, poverty and current expenditures were added for the total monthly projected spending. \$200 per child was used as the average cost per month for child care services.

(Families on Waiting list) x (Two children per family) = (Number of children)

(Number of children) x (\$200) = (Cost per month for category)

(Cost at 150% or 185%) + (Cost for Extended) + (\$777,522)=(Total Projected Cost)

\*An additional \$50 was added per child served to allow for increases during Summer months.



# WELFARE REFORM: FROM POLITICAL BUZZWORD TO REALITY

by: Bill Kennedy  
Yellowstone County Commissioner



Over the last few years we have heard the cry that welfare needs to change and people need to work. Across the nation public opinion supported change in the welfare program and, from the top, the reform movement began.

Montana got an early start in welfare reform with the establishment of its Families Achieving Independence in Montana (FAIM) program in 1996. Local Community Advisory Councils were formed to provide input and establish guidelines as we began the massive change in the state's welfare system. The top-

**...but we need to remember exactly what the focus is for welfare reform: to help people join the work force and to empower families to become self sufficient.**

down method of welfare reform was well thought out with priority placed on reducing the number of families on welfare rolls and limiting eligibility time lines but throughout the process, resources for helping families become self-sufficient should have taken an even higher priority.

Over the past two years I have reviewed the welfare reform plans of all of Montana's 56 counties. I note that the Community Advisory Committees have truly molded local programs to meet local needs and the needs of families in

***If welfare reform is to succeed in Montana we simply must provide more resources in the future.***

particular communities. Local input and local control is very important if this program is to be successful but we need to remember exactly what the focus is for welfare reform: *to help people join the work force and to empower families to become self sufficient.* Self-sufficiency is the key element for helping families "get off" the welfare system and provide for their family's needs by their own labor. What are the remaining barriers to family self-sufficiency?

Overcoming the multiple barriers confronting welfare clients will be the next major hurdle for local programs. For the last two years, we have seen welfare rolls drop by as much as 30% to 40%. These successful families overcame barriers because the resources and incentives provided were adequate to help them meet their needs. The next step will be tougher.

The remaining families are confronting multiple barriers and will therefore need more assistance and resources to help them achieve self-sufficiency. If welfare reform is to succeed in Montana we simply must provide more resources in the future. The resources I speak are essential to overcome the barriers of affordable housing, good paying jobs, adequate child care for, mental health coverage, transportation, training and health insurance.

The next year will tell if we can overcome these barriers. The number one barrier has been and continues to be adequate child care. The statewide Child Care Advisory Board recently met with FAIM manager Hank Hudson and Governor Mark Racicot and asked for additional dollars to meet the child care needs of the 500-600 families on the waiting list for child care assistance. The transfer of \$5 million dollars of TANF savings resulted in this infusion of child care help. In the future, safe child care will remain the number one priority in moving parents to work and off the welfare rolls..

Health insurance coverage for children is and will remain a formidable barrier in achieving our welfare reform objectives and must be another top priority . Children's health care needs have to be met to stabilize families. This imperative has been bantered around state and a pilot program Children's Health Insurance Program (CHIP) has been established and must be evaluated before the next legislative session. The pilot program meets some health care needs of children but it is still not adequately funded to help the large numbers of children who remain without health care coverage.

The other essentials such as housing, transportation and food needs appear to be adequate for the time being. Education and training programs are meeting some needs but expansion of job training and additional

resources and opportunities will come about with the new Welfare to Work Program. This is a two year program to help welfare clients already in the work place.

The major problem in every Montana county and community is the insufficient availability of good paying jobs to help families become and remain self-sufficient. Minimum wage jobs will only pay the bills if family members have 2 or 3 of them. Good paying jobs are needed and Montana communities need job growth to survive.

***The major problem in every Montana county and community is the insufficient availability of good paying jobs to help families become and remain self-sufficient.***

The challenges facing counties in the next 3 to 5 years will be dealing with the problems of those families that have not overcome the barriers to self-sufficiency? If we assume that we will be able to afford services for only 20% of the county welfare rolls, how will we be able to respond to the remaining families in our communities who are truly needy? Currently, Yellowstone County offers a general assistance and limited medical program to help families with one time emergencies instead of putting them on the welfare system which is hard to help people get off. The five year window of eligibility for FAIM benefits will place an even greater burden on county budgets even though the state's welfare budget problems may be relieved somewhat.

Finally, it is important to remember that the day-to-day job requirements of our local public assistance employees have changed dramatically . The local FAIM Coordinators are



now actually *case managers* and not just eligibility technicians processing claims. Even with the reduction in caseload (40% in Yellowstone County) and the reduced workload associated with Food Stamp and Medicaid eligibility, the new responsibilities of intensive involvement with the welfare clients has not given our case managers any more free time. The state implemented the FAIM program with 77 fewer FTE's than requested. Any further reduction in staffing would truly hurt the prospects of reforming the state's welfare program.

In summary, the multiple barriers confronting the remaining welfare caseload are truly going to be the challenge confronting county governments in further reducing the number of families on the public assistance rolls. The FAIM program needs to be funded entirely and must not be robbed to meet the state's other budget priorities. Otherwise, I believe, Montana's counties and local communities will end up having to assume the obligation. We do not want and simply cannot afford to see more shifting of costs from the state to the local level.



# CHIPping In For Kids: Providing Health Care Coverage For Montana's Uninsured Children

by: Eleanor Hamburger and Carson Strege-Flora of  
Montana People's Action

Our children are our future. You've heard it said before, but its more than a cliché. Without healthy children, ready to benefit from a good education, Montana's children may not get a good start in life. Over 27,000 Montana children do not have any type of health insurance.<sup>1</sup> Uninsured children often go without needed medical care and fail to receive needed immunizations. Many working parents face tough choices between paying rent, putting food on the table or purchasing the health coverage their children desperately need. Montana's Medicaid program (the federal and state program that low-income families turn to for assistance with health coverage) has the lowest financial eligibility levels in the country, leaving out all but the poorest of the poor who need health coverage. Congress has stepped forward, however, to create a program to help working families get access to children's health coverage.

In August 1997, Congress passed the Balanced Budget Act, that included dramatic

---

<sup>1</sup> Bureau of the Census: March CPS 1995-1997 & July 1, 1996 state population estimates.

changes to the provision of health care to the nation's children. The Balanced Budget Act funded the State Children's Health Insurance Program (CHIP), a federal block grant project designed to assist states in covering uninsured low-income children.<sup>2</sup> The purpose of the program is "...to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner that is coordinated with other sources of health benefits coverage for children."<sup>3</sup>

The State Children's Health Insurance Program provides \$20.3 billion to all the states over the next five years, (from 1998 to 2002). During the following five year period, an additional \$19.7 billion will be provided, totaling \$40 billion over the next 10 years. Additional funds (estimated at \$8 billion over the 10 years) for the Initiative will be obtained

---

<sup>2</sup> Balanced Budget Act of 1997, Pub. L. No. 105-33, 111 Stat. 251 (1997) (hereinafter BBA), Title IV, Subtitle J, State Children's Health Insurance Program, §§ 4901-4923.

<sup>3</sup> BBA § 4901(a), adding a new § 2101(a) to the Social Security Act.

through an increase in tobacco taxes (10 cent increase in the cigarette tax beginning in 2000 and a 15 cent increase starting in 2002).<sup>4</sup>

Montana can receive approximately \$10 million a year in federal funds during the next ten years for providing health coverage for poor, uninsured children. Montana must

***Montana can receive approximately \$10 million a year in federal funds during the next ten years for providing health coverage for poor, uninsured children. Montana must provide a match for the federal funds with a minimal state investment of \$2.5 million per year.***

provide a match for the federal funds with a minimal state investment of \$2.5 million per year. These funds can potentially cover 8,000-14,000 of Montana's uninsured children. The Balanced Budget Act also provides flexibility to states to design their program to cover children. States can decide to expand its existing Medicaid program, develop an entirely new private insurance program funded with public dollars, or do a combination of both.

In April, 1998 Montana submitted its plan to create an entirely new, separate state program for children to the federal Health Care Financing Administration (HCFA). The

---

<sup>4</sup> BBA § 9302, amending 26 U.S.C. §§ 5701 et seq.

Montana Department of Public Health and Human Services (DPHHS) used \$210,000 identified by State Auditor Mark O'Keefe in order to draw down some of the federal matching funds. Until the legislature meets in 1999 and allocates more matching funds, Montana's CHIP program will cover only about 900 children.

### **CHIP Implementation in Montana**

Initially, many thought that Montana would fail to take advantage of the CHIP funds. Montana's legislature does not meet in 1998, preventing any appropriation by the legislature to fund CHIP right away. In the fall of 1997, DPHHS established a Children's Health Insurance Program Advisory Council with an implementation time line stretching into July 1999.<sup>5</sup> While the DPHHS had received an allocation of about \$300,000 from the previous legislative session to provide increased children's health coverage, DPHHS decided to transfer those funds to the Blue Cross and Blue Shield of Montana "Caring for Kids" program. The transfer of funds failed to draw down any of the \$10 million earmarked for Montana, covering fewer children than could have been possible under a CHIP project.<sup>6</sup>

---

<sup>5</sup> Minutes of the Children's Health Insurance Advisory Committee, October 20, 1997.

<sup>6</sup> Private donations were raised to supplement the state's grant to the Caring for Kids program. All of these funds, however, could have been used to obtain additional resources under CHIP. At a March 6, 1998 meeting with members of Montana People's Action, Governor Mark Racicot defended the decision to fund Caring for Kids, rather than leverage more assets through CHIP by stating

The CHIP Advisory Council's first meeting was held on September 22, 1997. No low-income families who could take advantage of the program were invited or present, to the best of our knowledge. Instead, the first attendees of the Advisory Committee meetings were predominantly health care insurers, providers, and representatives of state government.<sup>7</sup> Montana People's Action alerted low-income families about the CHIP project and informed other organizations representing affected families about the Advisory Council meetings. Soon parents of CHIP eligible children began attending the Advisory Council meetings and raising questions about the direction DPHHS was heading.

Montana People's Action voiced many complaints about the Advisory Council and public hearing process conducted by DPHHS during the fall of 1997 and into the winter of 1998. Low-income families present felt that their concerns were ignored, and their comments were apparently misrepresented in the Minutes of the Advisory Council meetings. Additionally, DPHHS indicated that the Council had reached conclusions about implementation of the CHIP project, when no consensus had actually been reached, nor any vote by the Advisory Council had been taken. The Secretary of Montana

---

that he thought CHIP implementation would move too slowly.

<sup>7</sup> Montana People's Action has requested a list of the Advisory Council. The DPHHS responded by providing a 75 member list of "Interested Parties." To date, it is unclear which persons in attendance at Advisory Council meetings are actually members of the Council.

People's Action wrote to the Montana CHIP Coordinator at DPHHS, and complained about the misrepresentation, questioning whether the DPHHS' recommendations more accurately reflected the preferences of the insurance industry representatives present at the meeting. Specifically, she questioned DPHHS' determination that the Advisory Council supported the following decisions: 1) the majority of the CHIP-eligible children should be covered through private insurance. 2) CHIP-eligible children must wait three months if previously uninsured, and 3) parents of CHIP-eligible children should pay a premium to enroll their children on the program.<sup>8</sup>

***Montana will start a CHIP project this year, setting in place a new program for uninsured children. Roughly \$800,000 in federal funds can be used for providing health coverage for Montana's children.***

Later, however, the effort to implement CHIP in Montana received some exciting good news. On February 9, 1998, State Auditor Mark O'Keefe announced a settlement with an insurance company, to resolve consumer and physician complaints about the company. As part of the settlement, the insurer agreed to pay the state \$210,000 earmarked for CHIP, rather than pay a fine. Under Montana law, funds received by the state that are from non-state or non-federal sources, such as settlements or donations, can be spent according to the terms of the settlement, without waiting for the

---

<sup>8</sup> Letter from Cami Naugle to Mary Dalton, date January 25, 1998.

legislature to make an appropriation.<sup>9</sup>

Mark O'Keefe's settlement breathed new life into the discussion about CHIP, and succeeded in pushing DPHHS to move up the implementation date by a year. With \$210,000, Montana will start a CHIP project this year, setting in place a new program for uninsured children. Roughly \$800,000 in federal funds can be used for providing health coverage for Montana's children. While the project will start small, as more funds are found, the project will be expanded, covering more children who need health care. Governor Marc Racicot jumped at the chance to implement CHIP, directing the DPHHS to work with an actuary from the State Auditor's office to analyze different possible benefit plans and programs for CHIP.

On March 2, 1998, DPHHS announced its turnaround. In a Memorandum to CHIP Advisory Council Members and Interested Parties, the DPHHS CHIP Coordinator indicated that DPHHS would seek to implement CHIP in 1998, and that the draft state plan to be submitted to HCFA would be released after March 24, 1998. The Memorandum also indicated that DPHHS had "decided to drop the Medicaid expansion piece," meaning that the plan would not include any CHIP implementation through Medicaid. The Memorandum also included a copy of the Introduction to the Draft State Plan, which summarized the determinations made by DPHHS about the CHIP implementation. In the Introduction, DPHHS indicated that it planned to charge poor families premium as well as co-payments.

On March 6, Montana People's

Action members met with Governor Racicot to thank him for moving quickly to implement CHIP, and to ask for his assistance to ensure that the CHIP program was implemented through Medicaid or through a better private insurance program. At the meeting, Governor Racicot indicated that the determination about whether the CHIP project would be implemented through a Medicaid expansion, private insurance coverage or both, was still "up for debate." He told MPA members that he wanted to see what evidence was gathered about the merits of expanding Medicaid compared to a private insurance program. Additionally, he indicated that he wasn't aware of the proposal to charge poor families a premium to be covered by CHIP, and that he would investigate that issue further. MPA members were encouraged by the meeting with Governor Racicot, and hoped that their concerns would be reflected in the Draft CHIP Plan released on March 24, 1998.

In order to ensure that the future public process allowed for a real discussion about Medicaid expansion compared to private insurance coverage under CHIP, Montana People's Action members petitioned the DPHHS for a public hearing on the issue. On March 19, 1998, Montana People's Action submitted and released the administrative petition. If successful, the petition would result in a formal public hearing by DPHHS on the implementation of CHIP through Medicaid or through a private insurance program. In a short letter, DPHHS denied the petition on May 19, 1998.

### **DPHHS' Draft CHIP Proposal**

On March 24, the draft CHIP proposal was released. Unfortunately, it failed to address the concerns raised repeatedly by MPA

---

<sup>9</sup> MCA §17-8-101.

members and other low-income families:

1. The CHIP plan calls for a private CHIP insurance coverage with potentially fewer benefits than Medicaid. The CHIP plan called for implementation of the CHIP through a private insurance program. Medicaid expansion is not part of the draft proposal in any way. The private insurance program is based upon a benchmark plan, that allows the program to provide *fewer* benefits than Medicaid, shortchanging the health care needs of children.

2. Premiums (or "annual enrollment fees," as they are in called Montana's plan) are charged to very poor children, including those under 100 percent of poverty, potentially blocking access to health care. Additionally, because the fee is a set fee and not a sliding scale fee, poorer families will pay a greater percentage of their income to enroll in the program - a scenario specifically prohibited by HCFA. A study by the Urban Institute shows that even small premiums (as little as 1 percent of a family's annual income) discourages 43 percent of poor families from participating.<sup>10</sup> Using premiums will be administratively costly, while defeating the purpose of the CHIP project.

3. The proposal provides for a doubly complicated enrollment process. The private insurance program and Medicaid will have different application forms, different places to file for enrollment, and separate personnel to determine eligibility. Poor parents will have to shuttle between two agencies looking for

coverage. Many may fall through the cracks, and their children will go uncovered.

4. Children of low-income state employees won't be covered. Under certain circumstances, children of state employees who meet the income-eligibility of the CHIP program can be covered. However, the Montana plan fails to take advantage of these circumstances, denying the children of the poorest of our state employees access to health care.

5. The private insurance program will penalize children when parents lose their health coverage through their employer ("crowd out"). The CHIP plan must ensure that there are protections in place to prevent employers and others paying for private insurance from dropping that coverage in order to enroll on the CHIP plan. The CHIP plan, however, requires children to wait three months before applying for CHIP, punishing children for others' actions. The CHIP plan failed to use other alternatives, such as taking action against the employer or others who dropped the coverage.

DPHHS held a final public hearing on March 31, 1998. Montana People's Action members were on hand to share concerns about the above listed problems. Once again, low-income families concerns and comments were not reflected in the final plan submitted to HCFA in April. Two months after the plan was received by HCFA, it sent DPHHS a "stop the clock" letter in early June. HCFA, the federal agency which must approve each state's CHIP plan, agreed to approve all states plans within 90 days if there were no problems in the plans. If HCFA identifies potential problems with the a state's plan, it can "stop the clock" until the problems have been satisfactorily remedied by the state.

---

<sup>10</sup> See "A Guide to Cost-Sharing and Low-Income People," a publication by the Families USA Foundation, October 1997.

Ironically, HCFA's concerns outlined in its letter to DPHHS are the very same concerns that low-income families expressed to DPHSS at every public hearing opportunity. HCFA wants additional clarification about how the "enrollment brokers" defined in the plan will function. HCFA also wants clarification about how children screened for CHIP eligibility and found ineligible because they qualify for Medicaid will be enrolled in Medicaid.<sup>11</sup> Currently, Montana plan appears to screen children and then pass them on to the County Office of Public Assistance to be enrolled in Medicaid. However, federal statute requires children to be enrolled in Medicaid if found eligible (and the family agrees), not merely referred to another office. This procedure reduces the number of bureaucrats a family must deal with to get health care coverage for their children.

HCFA also points out in its letter that the cost-share mechanism employed by DPHHS' CHIP plan may be in violation of the allowable cost-share fee schedule set by the Secretary of Health. Additionally, HCFA has spoken informally with DPHHS about its concern that the cost-share employed in the plan will actually cost more in administrative costs than it will raise in revenue.

HCFA is not the only national group with concerns about Montana's plan. The Children's Defense Fund (CDF), a national organization advocating for children, recently released a report, "CHIP Check Up: A Health

---

<sup>11</sup> Undated letter (received in early June by DPHHS) from Richard Fenton of the Health Care Financing Administration to Mary Dalton, Montana Department of Public Health and Human Services.

Start for Children," evaluating the 43 state plans received by HCFA before April 30, 1998. CDF rated plans on coverage, affordability, benefits, and family friendliness. Montana's CHIP plan received a "D" in coverage, affordability, and family friendliness. Its plan received an "F" in benefits. Montana's overall ranking was the lowest of any state.<sup>12</sup>

DPHHS still hopes that it can have its limited CHIP plan up and running by the end of the summer. However, the plan must be

***DPHHS still hopes that it can have its limited CHIP plan up and running by the end of the summer. However, the plan must be modified to answer the concerns of HCFA before it can be put into place.***

modified to answer the concerns of HCFA before it can be put into place. Whether or not Montana children see a CHIP program in 1998, for CHIP to continue the 1999 legislature must appropriate the necessary state matching funds of \$2 million per year. Some legislators have already stated their opposition and much work will be required by advocates to insure that CHIP is funded and the program created is the best one for children.

---

<sup>12</sup> See "A CHIP Check-Up: A Healthy Start for Families," a publication of the Children's Defense Fund, May 12, 1998. New York received the same low ranking as Montana, but its legislature is currently improving the program.

## Why Medicaid or Better

Montana People's Action believes that the CHIP program should be implemented through Medicaid or a better private insurance program, with the same or better benefits, consumer protections, low costs and administrative efficiency because:

\* ***It's Quick:*** A Medicaid expansion or non-entitlement Medicaid look-alike will be faster to set up.

1. The Health Care Financing Administration (HCFA) will approve state plans that expand Medicaid more quickly than plans from states that want to develop a brand new program. HCFA's requirements for states that want to create a separate state program are quite lengthy, with significant opportunities for HCFA to "stop the clock" and put children's health care on hold (as HCFA has already done with Montana's initial plan).

2. A Medicaid expansion is much easier for Montana to implement. The structure and system already exist and children could quickly be moved onto the program. A private insurance pilot program will need to be designed and implemented before children see any health care coverage.

3. Low income families already know that Medicaid exists. Name recognition for the program will insure that parents sign their kids up with out the massive outreach education effort that would be required for a brand new private insurance program.

\* ***It's Comprehensive:*** The more comprehensive the benefits, the healthier Montana children can be.

1. Medicaid offers a more comprehensive benefits package than any private insurance program. Medicaid also offers the unique Early and Periodic Screening, Diagnosis, and Treatment program specially designed for children and hailed by health advocates as the premier system of children's preventive care. Children are not "little adults" and only Medicaid is designed for their unique needs.

2. Other states with two different programs for children in the same family have already reported difficulties and confusion. If we opt for a private insurance pilot program, families could have some of their children covered by Medicaid, but their other children may be eligible for the private insurance program, forcing them to juggle two different systems.

\* ***It's Cheap:*** The cheaper the program, the more children who can be covered.

1. Estimates from DPHHS released at the Oct. 20 advisory committee meeting show that raising Medicaid eligibility to 133 percent of poverty for children ages 5-18 (children under 5 are already covered up to 133 percent under Medicaid) would cost about \$69.84 per child per month. The plan submitted to HCFA by DPHHS creating a private insurance alternative costs \$91.40 per child per month.<sup>13</sup> Had Montana quickly expanded Medicaid with the first-year \$1million investment, at least 1200 children could have been covered, 250 more children than will be covered under the private insurance plan.

2. Administrative costs for Medicaid are low,

---

<sup>13</sup> Letter to "CHIP Advisory Council Members and Interested Parties" from Mary Dalton of DPHHS, April 27, 1998



only about 6.5 percent. The administrative costs for Blue Cross/Blue Shield are 16 percent - about average for private insurance companies.<sup>14</sup> The lower the administrative costs, the more money that can go directly to children's health care.

3. Montana must expand Medicaid to children ages 15-18 living at or below 100 percent of poverty by 2002, regardless of CHIP.<sup>15</sup> If the legislature chooses to cover these children under a CHIP Medicaid expansion, it will save approximately \$1.9 million a year (and maybe much more), for as long as these children are covered under Medicaid, lasting well beyond the 10 year time limit of the CHIP program.<sup>16</sup>

---

<sup>14</sup> "Percent of Total Medicaid Costs Spent For Administrative Expenses, FY 1996," Background Materials on Children's Health, Children's Defense Fund, January 27, 1998; Telephone Conversation between Chuck Butler, Blue Cross and Blue Shield of Montana and Carson Stregre-Flora, Montana People's Action, December, 1997.

<sup>15</sup> 42 USC §1396 a (1) (1) D.

<sup>16</sup> The DPHHS reports that approximately 1000 older children are added a year under the Medicaid expansion required by law. These children cost approximately \$959 a year to cover under the existing Medicaid program. Using CHIP funds to cover these children, in stead of regular Medicaid, Montana saves \$380,000 per 1000 children in this age group (based upon the 71 percent Medicaid matching rate, compared to the 79 percent CHIP matching rate). If Medicaid was expanded to age 19 for children under 100 percent of poverty through the CHIP project and assuming that approximately 5000 eligible children sign up for this program, the savings would be \$1.9 million a

4. The start-up costs for expanding Medicaid would be much lower because the pilot program would be an expansion of an existing program rather than the creation of a brand new program.

5. The CHIP private insurance program can only be cheaper (it is currently more expensive) if the state chooses to skimp on benefits for children's health. Medicaid would provide children with comprehensive coverage designed to ensure that children have access to the coverage they need. In contrast, the private insurance proposal is silent on the benefits offered, except that the benefits will be based upon a "benchmark" benefit plan, that provides fewer benefits than Medicaid does.

***A CHIP private program should only be pursued if it is better for children than Medicaid. A better private insurance program would have low administrative costs (under 5 percent), no premiums and only small co-payments, a simple short application form that's the same as Medicaid, with adequate consumer protections, similar to children's rights in the Medicaid program.***

A CHIP private program should only be pursued if it is better for children than

---

year. The actual number of eligible children enrolling would depend on the total population of children age 15-19 living under 100 percent of poverty, and the DPHHS' outreach efforts.

Medicaid. A better private insurance program would have low administrative costs (under 5 percent), no premiums and only small co-payments, a simple short application form that's the same as Medicaid, with adequate consumer protections, similar to children's rights in the Medicaid program. Additionally, the private insurance program should be awarded only after an open and public bidding process, to ensure that the best program is selected. DPHHS must also ensure that the most money goes for children's health by requiring that all profits be re-invested in the CHIP program, and that any losses incurred be borne by the private insurance company.

### **Conclusion**

The CHIP project represents a wonderful opportunity for Montana's children. With a strong CHIP, our children can get a good start in life, putting in place the building blocks for the future. Montana has moved forward to implement the CHIP project this year, bringing much needed health care to poor children in the state, and relief to parents. State Auditor Mark O'Keefe and Governor Marc Racicot deserve praise and credit for making CHIP happen. More action is needed, however, to make sure the CHIP project lives up to its full potential. The determination about whether the CHIP program will be Medicaid or a private program, and the benefits and cost-sharing measures included in the project are critical to its success.

### **Other Resources**

The following is a list of national, regional and state organizations working to implement the best CHIP project possible.

#### *Montana:*

Montana People's Action  
Missoula: (406) 728-5297, Bozeman:  
(406) 585-1703, Billings: (406) 245-  
6106, Butte: (406) 723-2156, e-mail:  
[mpa@mtpaction.org](mailto:mpa@mtpaction.org)

#### *Regionally:*

Northwest Federation of Community  
Organizations  
(206) 382-2082

#### *Nationally:*

*Children's Defense Fund:* (202)  
662-3560, e-mail:  
[cdfhealth@childrensdefense.org](mailto:cdfhealth@childrensdefense.org), web:  
[www.childrensdefense.org](http://www.childrensdefense.org)

*Health Care Financing  
Administration:* e-mail:  
[questions@hcfa.gov](mailto:questions@hcfa.gov), web:  
[www.hcfa.gov/](http://www.hcfa.gov/)

*Families USA:*  
(202) 628-3030, e-mail:  
[info@familiesusa.org](mailto:info@familiesusa.org), web:  
[www.familiesusa.org](http://www.familiesusa.org)

*National Association of Child  
Advocates:* (202) 289-0777, web:  
[www.childadvocacy.org](http://www.childadvocacy.org)

*Center on Budget and Policy  
Priorities:* (202) 408-1080, e-mail:  
[center@center.cbpp.org](mailto:center@center.cbpp.org), web:  
[www.cbpp.org](http://www.cbpp.org)



## Mean Spirited Politics

by

Renee Harris,

Director of Gallatin Valley Food Bank

Historically, federal anti-poverty programs have been shown to improve the circumstances of the truly poor. Commodities were distributed in the 1930's which improved access to food and bolstered the agricultural industry in the form of subsidies for these products. During World War II, the government became concerned over nutrition issues because so many young men going into the military had irreparable health and growth damage due to malnutrition. In 1972, the Special Supplemental Nutrition Program was started for Women, Infants and Children (WIC) which targeted individuals on the basis of nutritional vulnerability as well as income. Since 1973, the Food Stamp Program has been the primary safety net that has kept our nation's poor from going hungry. In 1997, Montana had 68,017 individuals receiving Food Stamps with a total issuance value of \$4,743,793.00.

During the 104<sup>th</sup> U.S. Congress (1995-1996), the federal safety net for low-income Americans (AFDC, Food Stamps, and SSI) was turned upside down. Block granting these programs, while at the same time devolving responsibility for these programs to the states further jeopardizes the tenuous delivery of services to those who need the most help. The U.S. Department of Health and Human Services as well as the Urban Institute attempted to estimate the magnitude of these

changes. Both studies made assumptions that two thirds of long term welfare recipients would find jobs, and that all states would maintain current levels of funding. This is a large leap of faith since there is no requirement in the new law that the assistance be in the form of cash and states have a maintenance of effort requirement to spend only 80% of what it was previously contributing. Their findings concluded that policies made at the federal level have just pushed an additional 2.6 million children into poverty, putting them at risk of food insecurity. More than 8 million families with children will lose an average of \$1,300.00 per family in food stamp cuts over the next five years.

Legal immigrants in our country didn't just get a slap on the wrist in this reform, they were severely bludgeoned. Most legal immigrants currently in this country and all future immigrants will not be eligible for SSI or Food Stamps. States have the additional option of denying welfare and Medicaid as well. California, Arizona, Texas, Florida and New York, to mention a few hardest hit states, will now have the ominous task of caring for people who may have lived in their jurisdiction for many years and now find themselves without food or the finances for shelter. Montana has a limited number of legal immigrants, mostly in Missoula County, but it is no less frustrating trying to come up with

funds for a stop-gap effort to keep their residents from homelessness and hunger.

***One of the great strengths of our Food Stamp Program has been that food assistance was based on pure need. The number-crunchers have no doubt proven that these cuts will mean a large savings in federal dollars, but what is the cost in human suffering?***

Perhaps the most severe legislation and the most difficult to understand is the provision limiting Food Stamps to three months out of every three years for unemployed "able bodied adults without dependents" (ABAWD). One of the great strengths of our Food Stamp Program has been that food assistance was based on pure need. The number-crunchers have no doubt proven that these cuts will mean a large savings in federal dollars, but what is the cost in human suffering?

In December 1997, the U.S. General Accounting Office filed a report on "State and Local Responses to Restricting Food Stamp Benefits". This report highlights what states are doing, if anything, to counteract cuts in assistance for legal aliens and able-bodied adults without dependents. These two groups of individuals represent only 10% of all Food Stamp recipients, but the estimated savings from this legislation is expected to be 37%, or about \$8.8 billion of the more than \$23 billion in net savings expected from welfare reform. Surveys were sent to all 50 states and the District of Columbia, (with a 100% response),

asking states to describe the actions taken at the state level, local level and by non-profits, to assist those individuals impacted by the loss of food aid. Thankfully, most states are providing employment and training assistance which allows participants to continue receiving Food Stamps while they are working toward self-sufficiency. Many states asked for waivers for counties with high unemployment and/or an insufficient number of jobs for their ABAWD population. Twenty states plan on, or are providing legal immigrants with information on how to become citizens which takes, on average, one year to complete. Ten states are now using state funds to purchase, or plan on purchasing Food Stamps for legal immigrant elderly and children. Twenty states are also providing state funded food assistance programs. The report fails to mention how these states intend to pay for this extra expenditure. All states reported having food banks, pantries, or soup kitchens that have attempted to pick up the slack of feeding these two hardest hit groups as well. This GAO report focused primarily on large urban areas where they felt the highest concentration of legal immigrants and ABAWDs would be affected. Little information was offered on how rural areas were coping.

Montana has determined that our 36 month food stamp eligibility period will be a fixed period starting December 1, 1996 and ending November 30, 1999. The initial three months do not need to be consecutive. The state requested and was granted waivers for twelve counties for ABAWD exemptions. They are: Big Horn, Rosebud, Lake, Musselshell, Glacier, Sanders, Deer Lodge, Powell, Lincoln, Blaine, Mineral, and Roosevelt counties. These waivers, however, must be requested and evaluated yearly to stay in effect. All seven reservations were also

granted exemptions to the ABAWD ruling. Montana, as well as all other states, allow several exemptions in addition to the high unemployment/lack of adequate jobs exemption. These exemptions are in compliance with federal regulations and at this time, no state flexibility is allowed in this area. A person would be exempt from the ABAWD limitation if they meet one of the following exceptions: they are age 50 to 59; pregnant; head of household at age 16 or 17 and not attending school or training program; employed an average of 20 to 29 hours per week; physically or mentally unable to work and have medical verification; applying for or receiving unemployment compensation; participating in drug or alcohol rehabilitation; or participating 20 hours or more per week in the Job Training Partnership Act or Training Adjustment Act. These exemptions do help, but from a Food Bank director's viewpoint, not enough.

There has been so much publicity about the severity of the ABAWD ruling that many individuals haven't even tried to get assistance. Perhaps the exemption ruling is so difficult to wade through, that it is not being uniformly applied. I see many, many individuals that simply don't fit into a precise category. In a community with a multitude of service industry jobs; housekeepers and wait staff are prone to seasonal hourly cutbacks. These do not fall neatly into the 20 to 29 hour category. We rely heavily on tourism, but many of those working in related industries are seasonal workers and have no real work options in the off-seasons of Spring and Autumn. They may qualify for the first season's lay off, but they have three more years to wait for any more assistance. Many of the alcohol or drug dependent have not yet come to grips with their addiction and are therefore blocked from assistance. Some of the

mentally ill have not sought professional help and in fact, do not understand their own disability. They too have fallen through the cracks. There are several legal immigrants that I see at the Food Bank who have some children that were born in the states and are U.S. citizens, but the rest of the family does not qualify for assistance. These families are trying to make do with Food Stamps issued for two children and are in fact, feeding six or more in the family.

Food banks and/or pantries see the reality of this legislation daily on the faces of the people they must turn away. In most food banks/pantries, households are eligible for a three to five day supply of food once a month. This once a month policy was put in place to keep up with the demand before the more punitive federal rulings came into play. The Montana Food Bank Network compiles statistics from around the state. Their numbers showed a 46% increase in food bank usage over the last five years, prior to this new crisis. Food banks/pantries rely on community support for donations of food, volunteer labor and money to stay open. Their ability to fill the gap in services is tenuous at best.

Who then, will claim responsibility for these individuals who are not able to comply with the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996? Who do we hold "personally responsible" for needless suffering in a nation with so much? Bottom line...it's all of us. WE are the voices to decry or applaud this legislation. WE are the eyes, ears and voices that can tell the stories of friends and neighbors affected by mean spirited politics.



# THE SCHOOL LUNCH PROGRAM

by: Heather Farrell

Graduate Student in Public Administration, Montana State University

In 1946, Congress passed the National School Lunch Act to address the problem of hungry children in our nation's schools. The language of the act unequivocally states that it is in the interests of the United States national security to insure the health and well-being of children in the United States. The National School Lunch Act established the National School Lunch Program (NSLP) as a means of carrying out that policy goal. The NSLP is overseen at the federal level by the Department of Agriculture. Within each state, the school lunch program is administered by the Office of Public Instruction, as in Montana, or a similar educational agency. All nonprofit, private schools and all schools in the public school system can choose to participate in this program. Each day 25 million children in more than 93,000 schools participate in the National School Lunch Program.

The National School Lunch Program is a voluntary program. When a state makes the decision to participate in the program, that state receives a reimbursement for each meal served. Currently, the reimbursement rates are \$1.44 for each reduced meal and \$1.84 for each free meal. In addition to these reimbursements, the participating school may receive commodities from the USDA. Congress appropriated \$4.2 billion for the National School Lunch Programs for FY 1998

along with surplus funds from 1997 which were also made available.

The National School Lunch Program provides lunch in two categories to qualifying families. These categories are (1) free lunch and (2) reduced lunch. The eligibility requirements for participation in each of these programs are federally mandated. For FY 1997-1998, the increased eligibility threshold for participation in the *reduced* lunch program is set at 185% of poverty or \$24,661 for a

*There is a wide disparity in the cost of living among the states. The standardization of eligibility requirements among states ignores the problem of relative poverty.*

family of three. The income eligibility requirement for participation in the *free* lunch program is 130% of poverty or \$17,329 for a family of three. These standards are uniform across the contiguous United States. The standards are computed differently for Hawaii and Alaska. This uniformity presents a significant policy problem. There is a wide disparity in the cost of living among the states. The standardization of eligibility requirements

among states ignores the problem of relative poverty. For example, a family living in California earning \$24,000 per year may, in reality, be financially worse off than a family earning the same amount living in Montana due to a difference in the costs of living in each state. Relative poverty among states is a problem that the National School Lunch Program fails to address.

The National School Lunch Program has gained increasing attention in recent years due to welfare reform. The NSLP emerged remarkably unscathed from the welfare reform process. The National School Lunch Program is an entitlement and is not part of the federal block grant to each state. The only fundamental change to the program was a requirement that all rounding of figures be rounded down to the nearest cent rather than to the nearest quarter cent. This change resulted in a reduction of an average of one-half cent per lunch and has had little impact on the program. Despite the NSLP's ability to retain almost all its federal funding, the program faces a significant threat in the future. Funding cuts for other federal welfare programs such as the Women, Infant and Children (WIC) nutrition program and food stamps will force parents moving from welfare to work to seek other assistance programs to fill their needs. On average, only 58% of those students eligible participate in the National School Lunch Program each day. This percentage will almost certainly increase as new participants put additional pressure on the program.

In FY 1997-98 51,295 Montana children participated in the National School Lunch Program. That represents 31% of the 171,024 students enrolled in the state's private and public schools. Due to Montana's five

year limit of welfare eligibility, many present welfare clients will soon be forced to find employment.

Because an important component of the Montana economy is tourism most new employment opportunities are in the service field where minimum wage is the standard. As a result, many more Montana families will soon be eligible for participation in the National School Lunch Program. Additionally, many who chose not to participate in the school lunch program in the past may be compelled to begin taking advantage of it. Montana will almost certainly feel more pressure on its supportive and assistance programs such as the NSLP in the future. While the NSLP reimburses schools for the cost of the meals, the schools are forced to take on the administrative costs of providing such a program. If Montana schools are going to be able to absorb the increase in participants in the NSLP, they must soon address the issues of the increased costs, additional administrative responsibilities, and simply more hungry children to feed at noon. Anticipation of these challenges is the key to mitigation of their impacts.







# The New West Boom Towns, the Ecological Trap, and Migration

by

**Dr. Jerry Johnson**

**Political Science Department, Montana State University**

In 1978 an article entitled "Avian Nest Dispersion and Fledging Success In Field-Forest Ecotones"<sup>1</sup> was published in the journal *Ecology*. In the article the authors coined the term "ecological trap". It works like this:

Imagine a bird, a yellow warbler perhaps, flying across the landscape looking for a place to nest and raise her young. The bird sees an area of trees that looks like an appealing site in which to build a nest. The place has healthy understory vegetation for cover and plants that attract insects. She flies in and begins to build the nest, lay her eggs, and make a life. Unknown and unseen by her is the resident population of cowbirds. They are attracted to the area by the adjacent agricultural activity and, to this specific clump of trees because it represents potential sites where they might lay their eggs in host nests such as the warbler's. The result is predictable; the cowbirds substitute their eggs for those of the warbler, the warbler loses her brood and

unknowingly raises the cowbirds. The warbler invested and expended energy in her new nest location but did not produce any new offspring. In ecological terms she has failed. More problematic, she is now faced with the decision of either making a relocation effort or remaining in place to try again.

The analogy between birds and people in the rural communities of the "New West" is closer than we might imagine. Throughout the Rocky Mountains the recent rural immigration has resulted in significant population increases in mid-size cities like Durango and Boulder, CO., Flagstaff, AZ, Boise and Coeur D'Alene, ID., Bozeman and Missoula, MT. Additionally, satellite communities and rural areas around these cities have experienced similar population surges. In other words, considerable investments are being made by tens of thousands of people to relocate someplace else. They come from all backgrounds, education levels, and with varying amounts of personal resources. They come for a variety of reasons but there is plenty of evidence to suggest that amenities and quality of life in these boomtowns of the West are important attractors. Studies by a host of researchers throughout the Rockies show conclusively that those counties

---

<sup>1</sup> J. E. Gates and L. W. Gysel 1978. "Avian Nest Dispersion and Fledging Success In Field-Forest Ecotones". *Ecology* 59:5

considered amenity rich are enjoying higher rates of job creation, income levels, new businesses, booming real estate prices, and increased opportunity for many residents. These characteristics are powerful social and economic cues to which potential migrants respond.

All the usual economic and social evidence indicates that these are good places in which to live and work. Newcomers arrive with lofty expectations that they will somehow tap into the local economy and begin to make a life. For many such communities however, US Census data show that the number of residents experiencing some form of poverty is growing. High expectations are met with failure to find a decent job at a decent wage and an affordable house in which to make a home. These new residents are now faced with a difficult decision - do they cut their losses and get out or do they try to stick it out and at some point hope to get ahead. Like the warbler, they could and do fail.

They fail for a variety of reasons but basically they misinterpret the social and economic cues from the community. New migrants are attracted by marketing material from economic and community development agencies and they might well misconstrue job and employment data to mean employment opportunity is better than it really is; they construct an unrealistic perception of the community. Many overestimate their own resources. They may not be as adaptable to the local economy as they think they are they may not like working at poor quality jobs at low rates of pay. As they lose economic ground the best thing they might do for themselves is to leave and find another place to live. Some will but those who have invested all of their

resources to move into the community may now be hard pressed to move out. They are, in effect, trapped by their decision.

Some residents in these communities, old-timers and newcomers alike, have only a limited ability to make a living in a rapidly shifting community economy. Either through educational circumstances, employment history, (or lack of), some social contingency or by deliberate choice, some will not prosper in the local economy. Others do prosper and will have more choices available to them by virtue of their physical and developmental endowments - money, education, motivation, and cleverness. Predatory behavior such as the latest "get rich scheme" will exploit the weak and ill prepared among us - the poorly educated, the financially desperate and the elderly. It is a classic case of "survival of the fittest" where those who are less "fit" to live in the modern boomtown are the losers of the game. The clever and bright will read the ecological cues more accurately and even if they make a misinterpretation, they will have a variety of options to give them a way out - they use savings to move, they change jobs. The less fortunate do not. The latter group finds themselves in the ecological trap of living in a community from which "escape" is difficult if not impossible.

Understanding the dynamics of the trap is important. In birds, ecologists find that human caused disturbance can construct the sort of trap that may result in the creation of "population sinks". That is, the organism is so miscued by the ecological setting that once it is attracted, it can't make the energy investment to move on and it dies out. If this happens to enough individuals of a particular species, the regional population can suffer dramatically reduced numbers.

In human communities the trap may result in a sort of downward spiraling vortex where poor job quality, poor wages, and dwindling resources will never enable an

***They slowly sink into a state of equilibrium unable to get ahead and unable to get out of town. They become the working poor in an accelerating economy that seems to be leaving them behind.***

individual or family to save enough to make themselves better off. We have all met the individual that would like to go back to school but can't make the house and daycare payment if they were to go to work part-time and school part-time. The modern devolved welfare program may well exacerbate the problem as states try to sort out how to administer this latest federal mandate. Similarly, workers with limited personal resources find themselves working a job (or two) at a regional shopping complex, unable to buy a house and build personal equity in the economic system. They slowly sink into a state of equilibrium unable to get ahead and unable to get out of town. They become the working poor in an accelerating economy that seems to be leaving them behind.

It is important to understand the nature of the trap as it applies to various public policy issues that face our fast growth communities. One of the most contentious issues rural boom communities are confronting is affordable housing. Increasingly, across the west the cost of housing is rising faster than wages and incomes. Some community policy makers

would have local residents subsidize those who are experiencing difficulties making the monthly rent or home mortgage payment. Other communities have artificially increased the cost of housing through an open space depletion tax or building impact fee and have thereby skewed the market price of land upward. In Jackson, Wyoming, for example, workers are camping in tents on the national forests or driving a serious commute over Teton Pass to live in relatively affordable rental housing in Teton Valley Idaho. In such cases, there is a great deal of community thought being expended to try to "fix the problem".

By viewing the housing issue in terms of the ecological trap, we may have a useful way to discriminate the truly distressed from those who simply have meager resources; they are indeed different groups. One can imagine one group - the trapped - needing some short term or permanent aid to make bridge payments, augment a fixed income or who simply need a hand up from their present condition. This might include the elderly on a small fixed income who are, in effect, trapped by rapidly increasing tax rates coupled with age, health or family concerns. They require a structural fix in the form of property tax breaks, homestead credits or other creative financial programs that enable them to remain in their homes and live with some sort of dignity in the community where they worked, raised a family, and continue to add to the diversity and historical memory of the community.

The trapped might also include those single parents, typically mothers, who are trying to make ends meet between school, rent, the cost of raising kids and eventually a move to a job market where they can get ahead financially. The solution to their problem is

short term and could involve some form of loan and payback scheme or subsidized training opportunity. The point is that wisely targeted investments up front could enable a family to avoid having to go on the welfare rolls, abandoning any hope of ever making financial progress. It might be as simple as a loan to move out of town to a new job.

The other group - the non-trapped - simply doesn't have much money. For many, this is a lifestyle choice. They would rather "purchase" leisure time and work marginal jobs in the community of their choice than move on and "get a real job" and a "real life". It's their choice and they are prepared to live with the consequences; no problem. The transient nature of this young population cohort so often found in modern boomtowns suggests that many will move on in time thereby making room for another generation of "ski bums" and seasonal workers. But, is it fair to the rest of the community that they might enjoy the policy outcomes of a low-income housing program? Of course not. They are *not* trapped but are able to leave at will and exercise their personal endowments and pursue their idiosyncratic interests elsewhere.

The logic of the ecological trap can be applied to other policy areas. Decisions on issues related to tax reform (such as an unintended subsidy), placement and payment of community infrastructure (i.e. access to public transportation), social equity programs (planning and zoning decisions) and, of course, welfare reform all may be enhanced if we can address the question of who and why some are trapped while others are able to reinvest the energy and resources to relocate.

The question becomes how do we understand the trap. Some are working on this problem but there are still considerable gaps in

our knowledge about how rural communities work. The Montana State University Local Government Center has recently posted a site on the World Wide Web displaying poverty measures for every county in Montana. They have a major effort underway to understand the effects of welfare reform in Montana and the West. The Center for the Rocky Mountain West displays US Government data, some of it poverty related, for the entire country. Government databases are available from the Government Information Sharing Project housed at Oregon State University.<sup>2</sup> Some communities and public interest groups have produced brochures aimed at teaching migrants about the local economy and ecology. Consultants whose publications focus on enticing firms and migrants to rural communities should spend similar amounts of time telling potential residents how difficult it is to get by in Flagstaff, Jackson, Bozeman and all of the other amenity rich, boom town locations.

A complementary research agenda might begin by tracking those who move in and move out of our neighborhoods. We know a dominant cohort of new migrants to the cities and towns of the west are retirees. They bring with them considerable personal resources and a demand for personal services. The wave of workers that follow are those who would provide those services. Advocates of the New West are quick to point out that not all service jobs provide low wage dead end futures. They miss the point. While there are certainly high paid service jobs (engineers, software designers, and computer programmers), the fact is that most service, retail and wholesale jobs in boomtowns fail to provide an opportunity to

---

<sup>2</sup> Respectively the two sites are: [montana.edu/www/lgc/](http://montana.edu/www/lgc/) and [govinfo.kerr.orst.edu](http://govinfo.kerr.orst.edu)

become invested in the community. Reduced opportunity for home ownership and little time to be involved in schools are only two examples. Research data indicates a high turnover of residents in boomtowns but we possess no profile of the unsuccessful migrant who is left behind stuck in the vortex. Additionally, we do not know what effect low quality jobs have on family life, crime, and the ability to get ahead and/or get out.

Once again, we could turn to the ecological sciences for some insight in studying the trap. While ecologists study variables such as habitat patch size, vegetation makeup, predator populations, species diversity, food supply and interspecies social dynamics; social scientists might examine community promotion activity and consequences, housing markets, job creation and quality, and the social makeup of our communities. The concept of the ecological trap has been studied for over twenty years. Can we design a community research agenda that learns by analogy from the ecologists? Can we use other ecological concepts to understand change in the rural west?

Too much effort and too little thought by local commerce groups, economic development consultants and politicians continue to be placed on traditional economic development. The game has been to bring in jobs of almost any sort in the name of growth in the local economy. So-called community development is accomplished by government and private sector interests working in concert under the name of "good government". Another concept - "good governance" - might be better applied to the development of rural boom economies. Governance is a term that implies public and private interests working together toward the goal of enhancing the whole community rather than narrow economic

interests.

It is not just government that should be concerned. The financially weak are not likely to be able to afford to care about the community and local environment if they don't see that they have a stake in its future. While it may be popular in some socioeconomic circles to advocate a New West economy, and the communities it fosters, those left out of the

*Attention to issues of local governance, growth management, land use, and scenic quality require time and resources the poor simply don't possess.*

boom are attracted to the so-called "wise use" groups, militia organizations and hate groups. Attention to issues of local governance, growth management, land use, and scenic quality require time and resources the poor simply don't possess. Community and environmental groups could begin to build a better understanding of the connections between the social and economic dynamics in communities and resultant ecological change on surrounding lands.

The ecological trap is real. Many people are slowly losing ground in the West's rapidly changing rural communities. They are poorly adapted to cope with the economic and social reality of boomtowns. For some observers, this social dynamic is simply a pattern of migration preferences being acted out in the marketplace of community ebb and flow. Some sacrifice economic well being for enhanced quality of life. As those preferences change they will move on only to be replaced

with others who are free to express their set of preferences. That, migration experts say, is the way communities grow and change.

Rural boom communities will increasingly display similar patterns of gaps between the well-off and the not-so-well-off s that we find in urban regions. As that pattern develops, the impact on tax burdens, public schools, crime, and the social fabric of small towns will change for the worse. Policy aimed at understanding the emergent underclass in rural communities is needed urgently. The issue is not with those who move in and out of the marketplace and the community of their choice. The real issue is the well-being of those who are trapped and left out of the economic "good times" and who can't play the migration game.