

No End in Sight

**The War on the
Poor Continues in Montana**

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The Northwest Federation of Community Organizations**

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Serious budget problems for the foreseeable future

Over the past five years, Montana's Legislature passed large tax breaks for big corporations and wealthy Montanans. The recent recession, coupled with years of these tax breaks, has resulted in dramatic declines in state revenue.

Montana started the legislative session with a projected general fund deficit of nearly \$250 million for the 2004-2005 budget,¹ a deficit for fiscal year 2003,² and a long list of proposed and enacted cuts. Projections from April 2003 found the state will collect \$12 million less in taxes over the next two years than previously thought, suggesting Montana's budget problems are far from over.³

Unfortunately, Governor Martz' and the Legislature's strategies for dealing with the deficit have not dealt with Montana's long-term revenue problem. Montana ends the legislative session basically where it began: with an unstable revenue stream, and deep cuts to public programs that worsen economic conditions, increase the state's long term costs and budget problems, and shred Montana's safety net — eliminating many of the supports Montana's poorest families need to live safe, healthy, and productive lives.

Without a long-term solution to Montana's budget problems, Montana will be stuck in an endless cycle of cuts and short-term patches. Montana's budget has a revenue problem, and needs revenue solutions that will adequately and stably fund Montana's programs.

No long-term solutions in sight

The major strategies Governor Martz and the Legislature proposed for dealing with Montana's budget problems do not address Montana's long-term revenue problems — instead they focus on cutting public programs and temporary measures such as spending Montana's reserves.

Cuts, cuts, and more cuts

Numerous cuts already in place

Millions of dollars have already been cut from public programs, drastically affecting the lives of Montanans and harming the state economy. As of January 2003, \$26.2 million in state spending had already been cut from Department of Public Health and Human Services' (DPHHS') budget for the 2003 biennium. Because most DPHHS state spending is matched by federal funds, this resulted in a total cut of \$69.5 million.⁴

Due to budget problems for the 2003 biennium not solved by the August special session, DPPHS cut a further \$13.3 million from Medicaid between January and June 2003. This includes \$3.6 million in state funding, and \$9.7 million in federal funds. Cuts include:⁵

- ***Eliminating numerous optional services*** — including vision and hearing services. Eliminating these services makes it harder for people to get and keep jobs, increases work-related injuries, and increases the likelihood of permanent vision disabilities.
- ***Eliminating adult dental coverage*** — Pain and infections associated with untreated dental problems can make it harder for people to obtain and retain jobs, can increase emergency room use and long-term costs to the state, and can give rise to serious medical problems.



Sarah Cassidy

I have been fortunate to have the Mental Health Services Plan (MHSP) to provide prescription drug coverage and pay for my visits to a private therapist. I suffer from an anxiety disorder that requires expensive medication to treat. My medications cost \$530 per month. Before December 1, 2002, I only had to pay \$49 in co-pays. After December 1, 2002, cuts enacted by the Montana special session put a \$250 a month cap on prescription drugs for MHSP recipients. I can't afford to make up the difference, so I am trying out older, more dangerous, less effective medications that have miserable side effects. I have to choose between rent and food and medicine, I have had to quit my job, and I am in danger of losing my apartment. I don't want to be homeless again. If I can't afford my prescriptions, I'll end up in the state mental hospital and that will end up costing the state even more. I don't have access to any other health insurance; without MHSP I could never afford the few services I need. When the state helps me pay for treatment, I can be independent. These cuts are hurting many who are functioning with a little help from MHSP, but who will end up institutionalized without this help.

- **Reducing therapy coverage for adults** — from the current limit of 70 hours to 40 hours.
- **Prescription drug changes** — limiting the amount dispensed, when refills are dispensed, and decreasing reimbursement to pharmacists for generic drugs.
- **Reducing provider payments** — a net payment reduction of seven percent. Payment reductions can result in providers refusing to take Medicaid clients, further reducing access.

More cuts in 2004-2005 budget

Numerous cuts for the 2004-2005 budget were debated during the legislative session including drastic DPHHS cuts for developmentally disabled children, the medically needy, the mentally ill, and child care.

The Governor's proposed budget included \$35.7 million in state cuts for DPHHS, which would result in a total of \$83.4 million in cuts to DPHHS for the 2004-2005 biennium.⁶ The cuts proposed by the Governor include:

Numerous Medicaid cuts

- **Eliminate some optional services** — optional services include dental care, vision care, hearing aids and exams, physical therapy, and personal care attendants. Over 19,000 Montanans over the age of 21 currently access these services.⁷
- **Medicaid eligibility cuts** — changes in how assets are calculated to determine Medicaid eligibility — affecting over 510 people every month, resulting in reduced coverage for nursing home and community services for seniors and people with disabilities, and reduced coverage for mental health and primary care services.⁸
- **Limit physician visits to 10 per year** without prior authorization. This creates a hassle for Medicaid consumers and providers.
- **Reduce Medicaid provider reimbursement**
- **Eliminate the Medicaid hospice program**



Jim Gibson

I have cerebral palsy which affects the lower portion of my body so I cannot walk without the aid of a walker. I live on my own, but some things are impossible to do on my own. I need a personal care attendant (PCA) to assist me with cooking, cleaning, and grocery shopping and taking me to appointments. Right now, Medicaid pays for 14 PCA hours a week and luckily my PCA donates some of her own time as this already does not cover all my needs. If Medicaid optional services are cut, I could lose my PCA and then I would have to go into a nursing home or I wouldn't be able to live.

Reducing childcare assistance — Over \$7.6 million in cuts to child care assistance programs. DPHHS analysis of a similar proposal found it would result in 300 direct care jobs lost, 110 secondary positions lost, 600 child care facilities downsizing or closing, and 1,960 child care slots lost. “Children could be placed in dangerous situations” because their parents cannot afford safe and adequate child care.⁹

Reducing Mental Health Services Plan — This program serves over 4,500 adults with low incomes and serious mental illness. Loss of services will likely result in more local emergency room use, more admissions to the Montana state hospital, increasing numbers of mentally ill people in the correctional system, and increased long-term disability and death.¹⁰

Eliminating or reducing other services including — Big Brothers Big Sisters, Montana poison control system, Meals on Wheels, kidney dialysis, in-home services for children, the Farmers Market Nutrition Program, and community and employment support services for people with disabilities.

Faced with difficult economic times, people need public programs now more than ever. Public programs are a smart investment for Montanans, and for Montana’s economy — generating much needed jobs and income for state residents.

Cuts to public programs will eliminate much needed jobs, businesses, services, and federal matching funds that help fuel Montana’s economy. Numerous studies have shown the negative economic effect Medicaid cuts have on the economy. A recent study of the economic impacts of the Medicaid program found that in 2001, Montana’s Medicaid program created over 10,000 new jobs, producing over \$270 million in wages for Montanans. Medicaid cuts harm Montana’s economy: for every \$1 million dollar cut in state Medicaid spending, state residents lose over 60 jobs and \$1.8 million in wages.¹¹

Cuts shift costs, often resulting in higher long-term costs for the state, and greater harm to state residents. When people lose access to health care, they often must postpone seeking care, resulting in much more serious health problems. A patient who could have received routine, inexpensive preventive care may require expensive emergency treatment — at a much greater cost.

Idella Rattler

I have Medicaid coverage for myself and my two children. I had a serious back injury, and Medicaid allowed me to get physical therapy. Being in chronic pain can make you hopeless, but through physical therapy I was learning to take care of myself and to strengthen my back. I was getting so much better that I thought by summertime I would have learned enough to manage my condition myself. Just when I thought the end to my chronic pain was in sight, my physical therapy coverage was reduced due to budget cuts.

I have two small children, and I’m going to school. I have been trying to keep doing physical therapy myself, but my back has gotten much worse. I used to be very active, but now I am constantly bothered by back pain. Walking to school and walking up and down stairs is incredibly painful. It has been hard to keep up with my classes and care for my children while being in constant pain.



JoAnn Harrington, Fun Fortress Daycare

I have operated a daycare for over 13 years; I currently have seven “state-pay” children in my daycare. If the proposed cuts go through, I stand to lose all of these children. This would result in a loss of several thousand dollars of revenue monthly from my business and I cannot make it without this money. I employ two assistants who are being mentored to open their own daycares and if our state cuts childcare assistance funds, all three of us would be out of work.

Many others will be affected as well. Most mothers can’t afford to work in Missoula without state funding to help with childcare — the jobs offered simply don’t pay enough. Parents currently in school and receiving help with daycare funding are perhaps the ones that stand to lose the most. Programs the state may cut put me through business college and paid for my childcare while attending. The families

in my daycare are like I was, people with integrity and values, just stuck without a little help. I can’t imagine where I’d be today without the programs that gave me a chance.

Band-aid proposals for a gaping wound

In addition to cuts, the Governor and republican legislators both proposed withdrawing money from the permanent coal tax trust fund to deal with the deficit. The state relies on interest from this fund, and using the principal from this endowment to pay for basic services would further destabilize Montana’s budget. Next year the state would be in an even worse position: the state would likely still have serious budget problems, in addition to decreased interest and a debt owed to the permanent coal tax trust fund.

Several proposals would have raised revenues, mainly temporarily, by increasing regressive taxes. Regressive taxes disproportionately affect low income people who have already been impacted by drastic cuts to public programs.

Governor Martz has regularly said she opposes tax increases, and threatened to veto several proposals that would raise taxes and revenues.

Stabilize Montana's budget: fix Montana's short- and long-term revenue problems

There are numerous long-term strategies Montana can use to stabilize its budget, protect residents, and put an end to the cycle of short-term patches and harmful cuts to public programs. The strategies listed below are already in use by states across the country.

Eliminate corporate tax breaks

According to the legislative fiscal division, eliminating only a few types of corporate tax deductions would save over \$25 million through 2005.¹² Several other states have proposed or are already eliminating corporate exemptions to deal with budget difficulties.¹³ The numerous tax cuts enacted by Montana since 1995 have resulted in a loss of over \$440 million in state revenue¹⁴ — and the primary beneficiaries of these tax cuts have been corporations and wealthy Montanans.

Decouple from recent federal tax changes

Changes in federal tax law change how state taxes are calculated. Montana will save over \$48 million through fiscal year 2004 if it does not implement changes in the economic stimulus act,¹⁵ and can save \$22 million through 2007 by decoupling from the federal estate tax cut.¹⁶ By January 2003,¹⁷ states and the District of Columbia had already decoupled from federal estate tax changes.¹⁷ In addition, Congress is considering a new set of tax cuts that will be costly to states.¹⁸ Montana should decouple from these changes as well.

Pool prescription drug purchasing

Montana can pool the prescription drug purchases of state agencies, private entities and local units of government, open the pool up to the under- and uninsured, and join with other states to negotiate lower prescription drug prices. Several states have already created prescription drug purchasing pools, and are already saving money.¹⁹

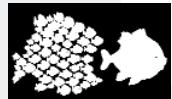
Maximize federal matching funds

Invest in federally funded programs like CHIP, Medicaid, and Food Stamps. Programs with federal funding are the smartest investment for state dollars, and strengthen Montana's economy. If unused, Montana's CHIP money will first be allocated to other states, and then will revert to the federal treasury.

Endnotes

- 1 Montana Legislative Fiscal Division, *Legislative Budget Analysis 2005 Biennium*, vol. 1, *Statewide Perspectives*, January 2003, p 45.
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- 3 Bob Anez, "Report Says Revenue Down," *Missoulian*, April 8, 2003.
- 4 Montana Legislative Fiscal Division, *Special Session, August 2002 Appendix B: DPHHS Total Appropriation and Spending Reductions*, August 2002, p 1.
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- 6 Montana Legislative Fiscal Division, *Executive Budget Analysis*, vol. 3, *Agency Budgets*, sec. B, *Health and Human Services*, January 2003, p B-25.
- 7 Montana Department of Public Health and Human Services, "DPHHS Budget Reduction Impact Summary," 8 October 2002.
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- 9 Montana Department of Public Health and Human Services, "DPHHS Budget Reduction Impact Summary," 8 October 2002.
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- 11 Families USA, *Medicaid: Good Medicine for State Economies*, January 2003.
- 12 Montana Legislative Fiscal Division, *Legislative Options: Alternatives to Executive Plan*, Legislative Budget Analysis Special Session, August 2002.
- 13 Nicholas Johnson, *Many Governors Are Proposing Tax Increases and Other Revenues Measures: Increases Are Necessary to Protect Basic Services*, Center on Budget and Policy Priorities, March 2003.
- 14 Brad Simshaw, Principle Tax Policy Analyst, Montana Department of Revenue, *Tax Relief Legislation 1997 to 2001 Biennia*, February 2001.
- 15 Nicholas Johnson, *States Can Avoid Substantial Revenue Loss by Decoupling from New Federal Tax Provision*, Center on Budget and Policy Priorities, April 2002.
- 16 Elizabeth McNichol, et al., *States Can Retain Their Estate Taxes Even As the Federal Estate Tax Is Phased Out*, Center on Budget and Policy Priorities, February 2003.
- 17 Ibid.
- 18 Iris Lav, *Many Federal Stimulus Tax Cuts Under Consideration Would Be Highly Costly for States*, Center on Budget and Policy Priorities, December 2002.
- 19 For examples and estimates of the amount Montana could save, see: Dana Warn, *The Best Medicine at the Best Price: Proven State Strategies for Lowering Prescription Drug Costs and Protecting Public Health Care Programs*, Northwest Federation of Community Organizations, January 2003.

About the organizations releasing this report



Founded in 1982, **Montana People's Action** (MPA) is a statewide economic justice organization with over 6,000 member families in Billings, Bozeman, and Missoula. For over two decades MPA has been the primary voice for low- and working-income Montanans around the issues of housing, access to credit and banking services, access to health care, economic development policy, and income security.



Northwest Federation of Community Organizations (NWFCO) is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon.

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