Financing Education Beyond High School: Is the Minnesota Experiment Working?

by James C. Hearn

In the early 1980s, the state of Minnesota initiated an experiment in educational financing. It began to raise tuition levels in state postsecondary education institutions while simultaneously raising student aid funding for those students with proven financial need. From the start, this policy experiment was criticized by some observers on the grounds that lower-income youth would be discouraged from enrolling by the substantially higher tuition levels planned. With support from one of the first CURA interactive faculty research grants, my colleagues and I investigated the extent to which the fears of the policy's critics have been realized in the years since the policy began.

The Old Policy of Financing

For many years, Minnesota subsidized student attendance in its public colleges and vocational-technical schools by maintaining tuition at levels well below the actual state costs for providing a postsecondary
education. Although this policy resembled that of most other states, some analysts believed it raised serious problems of equity and efficiency. The policy subsidized all students, regardless of income or wealth, while state tax systems were drawing funds from people at all income levels in a somewhat regressive fashion. Youth from lower-income backgrounds were attending colleges and vo-tech schools at rates significantly lower than other youth, however. This meant that not only was the state money having little effect on the attendance of many that the state wished to support, but the money was also coming disproportionately from the portion of the population least likely to take advantage of it. This observation led Minnesota to adopt subsidies much more closely tied to the individual financial needs of postsecondary students (targeted subsidization).

The New Policy
Between 1980 and 1986, state tuition rates rose to their current level of about one-third of the educational costs per student. While this level still involves a substantial "blanket subsidy" of students' attendance, regardless of their income levels, it is less costly to the state than previous approaches and provides additional support for the targeting of state funds to students who are in greatest need of financial assistance.

What We Asked About the New Policy
Our study examined the effects of this new policy on postsecondary attendance in the state. Specifically, we were interested in several questions relating to students from lower-income backgrounds: Have their expectations of attending school after high school decreased? Have their attendance rates in colleges and vo-tech schools decreased? Have they begun to avoid higher-cost schools? Have their financial aid needs been adequately met?

To address these questions, we relied on several sources of data. First, we used 1978-79, 1980-81, and 1982-83 survey data from the Minnesota Post-High School Planning Program (PSPP). The PSPP data are gathered yearly from most of the high school juniors in the state by Minnesota's Higher Education Coordinating Board (HECB), an agency of the state government. These data contain students' answers to a wide variety of questions on their backgrounds, their educational experiences, and their plans for the future. Each year, HECB supplements this data base with additional data on the students' high school rank and tested ability scores. Juniors in the three PSPP survey years we targeted became the high school classes of 1980, 1982, and 1984, respectively.

A second source of data for the study was a special survey we conducted of PSPP respondents from the three graduating classes. This special survey examined the youths' post-high school behaviors and attitudes. Data from this survey were merged with the same individuals' data from the PSPP surveys.

A final source of data related to state financial aid "packages," the combination of grants, loans, and work-study jobs provided to postsecondary students attending various schools across the state. Financial aid data for 1980-81, 1982-83, and 1984-85 were analyzed. On the basis of these data sources, we report here on some of the answers we found to our questions regarding Minnesota students from lower-income backgrounds.

What We Found

- Have lower-income students' expectations of attending school after high school decreased?

The data point to no as the answer to this question. The results of our analysis suggest that the relationship between high school juniors' educational expectations and their parents' income and education levels has not changed significantly over the years since the new policy began. In fact, the statistical procedures we employed in assessing the influences of various factors on educational plans and expectations, revealed that the role of parents' financial circumstances in shaping
youths’ college expectations not only continued to be negligible over the years we examined but may even have declined slightly. Apparently, far more critical in the process are such factors as basic academic aptitude and high school grades.

A further encouraging note is found in Minnesota juniors’ reported levels of educational expectations: they rose somewhat over the period we studied. Figure 1 shows some of our data on this issue. The proportion of students expecting to earn some postsecondary degree or certificate rose from 86 percent in 1978-79 to 91 percent in 1982-83, and the proportion expecting to earn at least a two-year college degree rose from 54 percent in 1978-79 to 61 percent in 1982-83. These gains in educational expectations were paralleled by a rise from 73 percent to 76 percent in the proportion of juniors reporting they planned to attend a postsecondary institution within a year of high school graduation.

- Have lower-income students’ attendance rates in colleges and vo-tech schools decreased?

As before, the data point to no as the answer. The relationship between high school juniors’ postsecondary attendance and their parents’ income and education levels has not changed significantly over the years since the new policy began. It appears that the influence of financial background on attendance was minimal throughout the study period. Contrary to the fears of the subsidization policy’s critics, there was no sign of an increasing role for financial factors as tuitions rose rapidly in Minnesota’s public postsecondary education system. As in previous years, the primary influences on school attendance beyond high school continued to be factors relating to student ability and achievement.

One way to look at the issue of attendance is to assess whether those juniors who planned to attend a postsecondary institution soon after high school graduation actually went on to do so. Figure 2 provides actual overall rates of postsecondary attendance among our three cohorts of former high school juniors: these rates stayed in the mid-80 percent range for the entire period of study.

More to the point of this analysis, however, are the breakdowns of these rate data for two groups: those who had planned to attend a postsecondary school soon after high school graduation, and those who had not. Opponents of targeted subsidization often argue that the hopeful aspirations and plans of students will be thwarted by increasing tuition rates. The data of Figure 2 suggest otherwise. Among those originally planning attendance soon after graduation, the actual subsequent rate of attendance stayed in the 85 to 90 percent range over the period of study. There was no sign that students’ plans were going unfulfilled to any new degree. In fact, interestingly, attendance rates among those not originally planning to attend school after high school graduation actually rose somewhat over the period.

- Have lower-income students begun to avoid higher-cost schools?

The three groups of college attenders in our sample differed very little in their institutional choices. Rates of attendance at state-supported institutions of all kinds, as well as private institutions of all kinds, were essentially stable over the period studied. We found no evidence that lower-income students were avoiding higher-cost schools as tuitions rose and state subsidies became more targeted. Therefore, the answer to this question must be no.

When the many possible influences on students’ choice of schools were all considered simultaneously in our statistical models, financial factors emerged as a significant force in each of the cohorts, but financial factors remained relatively unimportant compared to students’ education-related characteristics. It should be noted that financial factors did play a more important role in choice of schools than they did in students’ educational expectations, plans, and attendance rates. This finding, however, is consistent with many other studies of the issue, and should not detract from the overall picture of limited and stable financial influence on student’s choices of schools beyond high school.
• Have lower-income students' financial aid packages adequately offset rising postsecondary costs?

Our findings on this question, unlike our findings for the previous questions, did indeed reflect dramatic changes over the period of the study. For postsecondary students who were dependent on their parents or guardians for financial support, the adequacy of aid packages (the total of federal and state grant aid) declined somewhat between 1980-81 and 1982-83. This decline was to some extent ameliorated in 1984-85, as new state policies worked to offset increasing education costs (Figure 3). For students who were not dependent on their parents or guardians, however, the adequacy of aid packages continued to decline over the four-year period we examined. Therefore, dependent students neither gained nor lost much overall, while independent students did lose, on the whole. Deterioration in aid packages for independent students seems to stem from both federal aid cutbacks and changing state grant policies.

**Is the Experiment Working?**

The study has significant policy implications. Two stand out as particularly important. First, academic factors such as student ability and achievement have continued to remain the primary forces influencing Minnesota students' postsecondary education expectations, plans, access, and destinations. Financial factors are clearly less influential than academic factors. Even in the rapidly changing environment of postsecondary education finance, there is no evidence that monetary concerns are becoming a more critical influence on student attitudes and behaviors. Second, however, it should be stressed that there are trouble spots in the system. The recent cuts in federal financial aid have been felt by many students in the state. Unfortunately, rises in state aid levels have not fully offset these cuts. For independent students, in particular, educational opportunities may be threatened by continuation of these developing financial pressures. Our analysis found, as of 1984-85, no evidence of behavioral changes among Minnesota's financially stressed students. Future replications might tell a different story.

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*Note: Parental contribution is the amount a family is estimated to be able to contribute to the students' educational and living expenses in college. It is determined by need analysis formulas. Lower income students tend to fall into the $0 and $0-$700 contribution categories.*
James C. Hearn is an associate professor in the Higher Education Program of the Department of Educational Policy and Administration in the University's College of Education. His primary research interests are higher education policy and organization. This article highlights some of the findings of a study he recently completed with Hideki Sano and Susan Urahn, both doctoral students in education. The complete findings of their large and rather complex study have also been published by CURA. Copies of the complete study (Targeted Subsidization of Postsecondary Education Enrollment in Minnesota: A Policy Evaluation, CURA 85-9) are available free-of-charge from CURA.

This study was supported by an interactive research grant from CURA and the Office of the Vice President for Academic Affairs, University of Minnesota.

Interactive research grants have been created by CURA and Academic Affairs to encourage University faculty to carry out research projects that involve significant issues of public policy for the state and that include interaction with community groups, agencies, or organizations in Minnesota. These grants are available to regular faculty members at the University of Minnesota and are awarded annually on a competitive basis.

Faculty members interested in applying for an interactive research grant should contact Thomas M. Scott, Director of CURA, or John Wallace, Assistant Vice President for Academic Affairs.

Photos courtesy of Student Support Services, Publications Center, University of Minnesota.
A Lost Lake Reconsidered

by Hans Olaf Pfannkuch

The economics and politics of the situation in Columbia Park may be more critical, in the long run, than the hydrology and geology of the proposed lake site. Whether or not this lost lake will be restored is up to the community and the various public agencies involved to decide. What the University is able to offer, through Pfannkuch’s study, is some expert knowledge as to the feasibility of the project and, if a second phase of the feasibility study is carried out as recommended, an idea of what the cost of restoring this lake would be and how it could be done.

For readers who are interested in more detail about the Lake Sandy project, a copy of Pfannkuch’s complete study is available in the CURA library. Phone Peggy Wolfe (625-1551) to arrange for a time to see it.

At the turn of this century a small lake, Lake Sandy, was situated in Columbia Park in northeast Minneapolis. Exact information about the lake’s parameters, such as depth and volume, is unavailable for the time of its existence. Lake Sandy ceased to exist in the early part of the century, certainly by 1919, for a number of not-well-documented reasons. Subsequently the area of the former lake has been a wetland, off and on, and more recently it has been graded, drained and maintained as part of a municipal golf course.

Ever since the demise of Lake Sandy, deliberation about its restoration has been strong. In the past few years the “Lake Sandy Restoration Committee” and the Northeast Planning Council with various citizens advisory committees have been successful in regenerating interest and in initiating feasibility studies to rehabilitate the lake.

Lake Sandy as it appeared on a U.S. Geological Survey Map (surveyed in 1899 and published in 1916)
Could Lake Sandy be restored? This study investigates the hydrologic feasibility of reconstituting the lake in what is left of the old lake basin. It does not address the limnologic or economic feasibility of a newly restored lake.

Disappearance of the Lake

Several theories have been advanced about the drying up of Lake Sandy. These include drainage, change and diversion of surface runoff due to urbanization, lake bed destruction, and infilling.

A small collection of documents pertaining to Columbia Park and Sandy Lake has been compiled by the Minneapolis Board of Parks and Recreation. The impression one gets from these excerpts is that park officials in the late nineteenth century were mainly interested in draining the lake and installing athletic fields or enlarging the golf course, which was considered more beneficial than a shallow lake. Soon after acquisition of Columbia Park, drain tiles were laid (in 1893) and connections to existing sewer systems were sought to accelerate drainage. This is partly documented by purchase orders for drain tile and its emplacement (1893-94) and different attempts to connect the park to the existing or a new sewer line (the 31st Street sewer).

As early as 1914-15 problems of athletic field use are connected with drainage of “the meadow” (no lake then). In 1918 the park drainage system was connected with the Soo Line drainage system and the meadow was considered dry enough for athletic activities. Not until 1925 are problems of wetness mentioned again in the park board’s annual reports. Then, the problem of surface water disposal reappears.

From 1928 on, citizens requested the regeneration of Lake Sandy or the installation of swimming facilities. The meadow was plowed and seeded in 1937 and highways installed in 1940.

Perusal of old maps or plates showing Sandy Lake has resulted in Figure 1. The size of the lake as recorded in eight documents is plotted by year. The oldest document is a map by the Surveyor General’s Office in which an unnamed lake is situated between the east half of section 2 and the west half of section 1 (T29, R24). It is assumed that it depicts Sandy Lake but is somewhat inaccurate with respect to its location. Later maps correctly show it entirely located in section 2. One document (1892) seems to diverge from the rest. Measurements from reliable topographic surveys around this time contradict the forty acres reported by Wirth and point to the existence of a much larger lake area during this period. If there had been a problem of distinguishing between marshy areas and open lake this would surely have been indicated, at least on the U.S. Geological Survey’s topographic map of 1899.

The lake area seems to have declined slowly between 1870 and 1900, about five acres per decade. This could be due to changes in the natural runoff system supporting the lake as urbanization progressed. Such changes indicate that the lake in its quasi-natural state was dependent on surface runoff. The second portion of the graph, 1900 to 1920, marks a much more rapid decline in lake area, about forty-five acres per decade. This may coincide with the intensified efforts to artificially drain the lake and surrounding area.

No documentation that the lake level had been filled in by the dredgings of Lake of the Isles could be found. Some filling obviously was carried out at the southeastern end of the lake to increase the switch yard of the Soo Railroad Line. Other filling occurred during the construction of St. Anthony Parkway, the construction of the golf course, and in additional, small unspecified locations in the park. The latter concerned about 2,000 cubic yards at most, a tiny fraction of the entire lake volume. The main reason for the disappearance of the lake must have been, therefore, drainage and modification of surface runoff patterns.

Is Restoration Feasible?

Prospects for restoration depend on a number of factors. The geologic situation, the configurations of the earth and the kind of materials in the earth, determines how suit-

Figure 1. SIZE OF LAKE SANDY AS RECORDED AT DIFFERENT TIMES

Sources:

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<td>1892</td>
<td>Quote from Theodore Wirth</td>
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<tr>
<td>1903</td>
<td>Minneapolis [James E. Eagan]</td>
<td>72</td>
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<tr>
<td>1910</td>
<td>Comparative Area Diagram</td>
<td>34</td>
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<td>1910</td>
<td>28th Annual Report (Minneapolis Park Board)</td>
<td>24</td>
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<td>1918</td>
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"Columbia/Sandy Lake," not dated, 45 pages.
able a site is for a lake. The hydrological situation, how much water is available under local climatic conditions, determines whether or not a lake will be created and remain as a lake. And morphometric considerations, the lake's surface area, depth, and volume, determine how the lake will behave from year to year in relation to its environment.

- **The Geologic Situation**

Bedrock and looser, surficial deposits form the container for lake basins. The hydrological characteristics of these materials determine the stability of a lake.

Bedrock geologic maps of the Lake Sandy area indicate a buried bedrock valley similar to that undergirding the Cedar-Isles-Calhoun-Harriet lake system. Surficial deposits are basically glacial drift to a depth of 100 to 200 feet. They consist of sandy till, sandy materials, clay, and organic. The geology of Columbia Park favors the creation of a lake and wetlands.

Groundwater seepage is most probably into the Lake Sandy basin. Early reports and oral records speak of springs in the lake basin. It is, however, very difficult to judge the accuracy of those accounts. A more definite assessment of groundwater flow needs to be made. To do this, test wells would need to be drilled to the water table. Information about in-seepage and out-seepage would then be available to replace the assumptions made in this report.

- **The Hydrologic Situation**

Whether a depression in the earth, even with a low permeability bottom, will actually become and remain a lake depends largely on climatic conditions and the net water balance. The elements of the hydrologic cycle which constitute this balance are precipitation, evapotranspiration, and runoff.

Precipitation data recorded at the Minneapolis-St. Paul airport were analyzed. The normal rainfall, over a thirty-year period, is approximately 27 inches. Rainfall can vary significantly from location to location. This report was based on the assumption that the situation in Columbia Park would be similar to that at the airport. A series of measurements at the Lake Sandy site is recommended.

Evapotranspiration is the transformation of water into vapor. It causes a direct loss of water from lakes. Evaporation takes place directly from open water surfaces whereas transpiration is mediated by plants. Both however, affect lake levels and are dependent on climatic conditions. Using mean monthly temperatures, an annual heat index, latitude, and available sunshine hours, evapotranspiration can be estimated. Over a thirty-year period annual evapotranspiration is about 25.3 inches in this region.

Precipitation and evapotranspiration are, therefore, more or less balanced in the Lake Sandy area. For different years, however, there would be moisture deficits and surpluses. The thirty-year norms are a good basis for long-term planning.

Runoff is the portion of precipitation that is available for surface runoff and collection or for subsurface movement of water. The total amount of runoff generated from a watershed depends on the amount of precipitation, the area of the watershed, and other parameters such as evapotranspiration. A map of contributing watershed areas in Columbia Park was prepared, but the situation is complex because much of the runoff goes into storm sewers. To obtain information about runoff and the efficiency of the artificial drainage system a series of controlled seepage experiments needs to be performed.

- **Morphometric Considerations**

Besides considering a new lake in its general hydrogeologic environment, it is important to establish lake morphometric characteristics that will give some indication about the lake's hydrology and expected behavior under different climatic conditions. These will also influence the limnologic behavior of the lake system.

Lake surface area, depth, and volume are the fundamental parameters. Figure 2 shows the topographic contour lines of the old lake basin. The construction of St. Anthony Parkway has split the basin in two. Assuming that the basin can be filled, each one of these contours would indicate a lake level stage with an associated lake surface area. The cumulative lake volume was calculated for the basin north of St. Anthony Parkway and for the basin south of it. Mean lake depth would be eight feet in the north basin and six feet in the south basin, if they were filled to the 840 foot contour line. Any higher filling would cause flooding and damage to the parking lot. Both basins are relatively shallow, approximately the same mean depth as Lake of the Isles.

Calculations were made of the ease or difficulty of keeping the lake level roughly constant. These were based on the thirty-years normal climatic conditions and on specific dry and wet years. Under the assumed conditions of groundwater seepage, the small lake basin south of St. Anthony Parkway could easily be filled and maintained with runoff from its own watershed and collected runoff from the golf course which is currently drained and pumped into the 31st Street sewer line on a regular basis. This would produce a small lake of roughly six acres.\(^3\)

\(^3\)Based on filling the lake to the 838 foot contour line.
The larger basin, north of the parkway, would also sustain a lake once the lake basin was filled. Here the lake would be relatively shallow, its average depth about 6.6 feet, and its area roughly forty acres. Further investigation is needed to determine the actual groundwater flow conditions and the degree of artificial drainage in the old lake bed. Data from such a study would clarify whether the lake level would need to be maintained by the addition of small amounts of water over time or by the subtraction of small amounts of water. Water could be added from the Prairie du Chien-Jordan aquifer which could be tapped with a well, or surface water could be pumped off if larger pumping equipment were used than is now available in the park.

Conclusions

Is it physically and hydrologically possible to restore Lake Sandy? Yes. But this answer is based partly on the assumptions about natural conditions. A second phase of the lake restoration study is needed to investigate the actual groundwater flow conditions and the degree of artificial drainage in the old lake bed. During this phase the economics of the project need to be examined in a more detailed fashion. Besides the physical, hydrologic, and limnologic feasibility, examination of sociological, recreational, and political tradeoffs must be carried out by appropriate government agencies. And the cost of the project must be weighed against the benefits.

Hans Olaf Pfannkuch is a professor of geology and geophysics, specializing in groundwater geology and hydrology. His main research interests are studying groundwater pollution problems in shallow aquifers, especially those created by oil and hydrocarbon spills, and the detailed analysis of lake watershed hydrologic balances with emphasis on groundwater-lake interaction. Pfannkuch and his students have worked with the Minneapolis Park Board on the Minneapolis chain of lakes, with the city of Maple Grove on the feasibility of maintaining lakes in gravel mining areas, and on a long-term cooperative study with the U.S. Geological Survey on an experimental lake in central Minnesota.

Student Papers in the Public Administration Library

Research papers prepared by masters degree candidates in the Hubert H. Humphrey Institute of Public Affairs are housed in the Public Administration Library after they have been approved by the Institute's faculty. Because many of these papers are of interest to our readers, we periodically list recently acquired papers (Plan B papers, as they are called). The Public Administration Library is located in room 50, Humphrey Center, West Bank Campus of the University of Minnesota (612/625-3038). The faculty advisor for each study is indicated at the end of the entry.

Blewett, Linn A. An analysis: Older Americans Act Title IICC: senior nutrition program. 1985. 70 pp. + appendices. Eustis and Patten.


The fiscal crisis that Minnesota faced in 1981 and 1982, a combination of a budget crunch resulting from cuts mandated in the federal Omnibus Reconciliation Act of 1981 and the state's recession, may be repeated in 1986. That period of retrenchment offered a survival test for a new way of delivering social services—services provided through community-based facilities. Did retrenchment decisions endanger this new network of service providers? Did shrinking public dollars affect the contracts that support these private programs and the services that they offer to various vulnerable populations within the state? This study, initiated in 1982 and recently updated, attempts to capture what impacts the fiscal crunch of 1981-82 had on community-based facilities in Hennepin and Ramsey counties. The lessons learned from this earlier period may be of use as federal, state, and county budgets tighten once again in 1986.

Community-Based What?

Think of the social service delivery system as a structure having three tiers. At the bottom is the largest, the public social service tier. Administered at the county level and supervised by the Minnesota Department of Human Services, it is supported by a variety of funding sources which combine to form a block grant. These include federal Title XX Social Security Act dollars, state funding from appropriations to the Community Social Services Act, and local support from county tax dollars.

The top tier consists of traditional nonprofit private agencies. These are supported primarily by a mix of United Way, sectarian, and public dollars. The public dollars come via contracts in a mechanism known as a "purchase-of-service agreement."

Sandwiched between these two layers is the third tier. Here we find the community-based facilities, a recent addition to the social service delivery system. Developed to serve special-needs populations, they are supported chiefly by purchase-of-service contracts paid for by public dollars.*

*The dividing line between the nonprofit—private and community-based tiers is not always distinct. In the 1960s and 1970s, some traditional nonprofit agencies began developing community-based programs under their auspices. Conversely, some community-based agencies matured, expanded, and created new programs of their own.

How the Third Tier Evolved

Community-based facilities had their origins in two movements that began during the late 1960s and early 1970s. One was a surge toward so-called "alternative" agencies, which began with demonstration projects that were part of the War on Poverty. It was hoped that these would produce existing social service agencies and bureaucracies into responding more sensitively and effectively to the needs of poverty populations and other underserved groups.

The other movement was known as the "deinstitutionalization" effort. Also funded by public dollars, it was designed to create locally-based day programs and residential facilities nestled in "the community" to provide for a variety of vulnerable groups that had previously been cared for in large state institutions.

These two initiatives shared some common characteristics. Their facilities were small in size and locally controlled. They sprang up in informal neighborhood settings—in storefronts, rehabilitated vintage houses, and church basements. Their staffing patterns reflected the paraprofessional movement that simultaneously grew out of the 1960s.

This period also witnessed several new "inventions": hot lines, neighborhood health clinics, runaway houses, feminist agencies, rape crisis centers, gay and lesbian services, group homes, and halfway houses.

The ideology was clear, at least in the beginning. These agencies and services would compete directly with old-line agencies, but they would serve their constituencies in a purposefully informal and flexible way. Moreover, they would shake up the traditional institutions which, as was asserted in the rationale for the War on Poverty, were suffering from hardening of their aging arteries.

They operated in ways that were distinctly different from the traditional agencies. Community-based facilities set out to bridge the gulf between workers and clients. Staff members were encouraged to speak, dress, and behave in a manner that would put people at ease. Some—especially in agencies dealing with drug and alcohol abuse—were (and still are) hired because of their personal experience with

Community-based facilities for the developmentally disabled are known as Developmental Achievement Centers (DACS). Here a St. Paul DAC, Midway Training Service, has created on-the-job training for Judy K. and John W. (opposite). Judy cleans at the Jewish Community Center while John prepares lood at Chi Chi's.
the condition that was to be treated; in fact, this was often considered the most important qualification an individual could bring to the job.

Such agencies also stressed the immediate availability of services, eliminating such bureaucratic barriers as waiting lists and rigid interpretations of eligibility requirements. Drop-in centers, weekend and evening clinics, and twenty-four hour crisis response were characteristic.

Extensive outreach further reflected their distinctive styles of operation. Bringing services "to the people"—in neighborhood settings, parks, and on street corners—was not uncommon.

Moreover, these agencies had a strong advocacy presence for their client groups; they stressed self-help. Support groups were formed to address specific needs and issues; meetings were held at the facilities themselves or elsewhere within their communities, with staff members serving as leaders or facilitators.

**Becoming Part of the System**

In time, community-based agencies and enterprises become permanent fixtures in the system, profoundly affecting the way in which many social services were delivered. Eventually counties began purchasing their services.

From the counties' point of view, it was assumed that this arrangement would give counties a degree of versatility and flexibility otherwise unavailable within their own bureaucratic environment. In particular, it was believed that market demands could best be met, and budget variations best adjusted to, if counties contracted with community-based providers on an annual basis. They would then be able to buy the services they wanted when they wanted them, and either renew or not renew their contracts as each new fiscal year rolled around.

Community-based facilities were perceived from the outset as independent and free from personnel and program restrictions of large, formal, complex organizations. Administered by appointed or self-selected directors and loosely governed by advisory committees or boards, they typically operated with a great deal of autonomy.

But, from the facilities' point of view, this freedom was not won cheaply; nor was it absolute. Even in the beginning, funding was a problem. A constant search for dollars among federal, state, and local governments, as well as private sources, characterized this third tier. Increasingly, the search shifted in the direction of annual purchase-of-service contracts with county agencies, and presently, community-based facilities became almost totally dependent on these contracts. Significantly, the purchase-of-service agreements came with strings attached. First, the unfettered style of operation was curbed by licensing requirements and guidelines that were backed by detailed rules and regulations. Secondly, the reliance on county dollars meant that these programs were accountable to the counties, although often in vague and unsystematic ways.

In short, community-based facilities became, to a large extent, fiscal creatures of the bureaucracies. The search for funding was still a top priority because contracts were of brief duration and subject to the vagaries of county budgets. Staff members were forced to devote large portions of their time and energy to administering current contracts and soliciting new ones.

Perhaps reflecting this fiscal uncertainty, hiring tended to be confined to entry-level positions. These were usually paraprofessional in nature, low-paying, and unstable. Employees were given few opportunities for advancement. As a result, turnover was (and remains) high.

Despite these and other problems, community-based facilities performed and continue to perform certain essential functions. For example, they offer a variety of social services focused on improving the capacity of vulnerable populations to live in the world. In many cases, day treatment, out-of-home treatment, and neighborhood facilities take the place of institutionalization. Not only has this shifted some of the burden from state and county agencies; it also reflects a major change in thinking about how to care for these populations.

"Normalization" has become the core concept and community-based facilities, the vehicle.

Thus the agencies that began as experiments in the 1960s and 1970s have become integral parts of the social services system. People count on them and the services they provide. Counties count on them and the services they offer for sale. The new tier they occupy has become as necessary to the overall structure of social services as the old-line public and nonprofit tiers.

**What Difference Does a Budget Crunch Make?**

Many expected the 1981-82 cuts in federal, state, and county budgets to jeopardize the stability of community-based facilities. This study examines what the effects were of budget reductions, how budget cuts were absorbed, and what programmatic changes were attempted as facilities adapted to the fiscal exigencies.

The study focused on three levels of analysis. One was a survey of sixty-five community-based facilities: neighborhood health centers, chemical dependency facilities, adolescent group homes and treatment centers, and facilities for the developmentally disabled and the chronically mentally ill. Interviews with facility directors were conducted primarily by undergraduate students in a community development class at the University of Minnesota's School of Social Work. The second level was an examination of county budget allocations for 1981 through 1985. Interviews with state and county administrators amplified both the policies and procedures that were followed in responding to the new
fiscal circumstances. And finally, in a third level of analysis, two vulnerable populations were examined in detail as case studies of what actually happened in response to the budget cuts. The study was limited to community-based facilities in Hennepin and Ramsey counties. Highlights from the first and third levels of analysis will be presented here. Readers interested in more details are referred to the full report.

Changes in the Community-Based Facilities

The interviews with directors of community-based facilities focused on learning how a sampling of facilities had been affected by the 1981-82 budget cuts. Sixty-five of the seventy-three facilities identified in Hennepin and Ramsey counties provided useful data. Here it is important to note that at the time of the interviews, spring of 1982, intense anxiety pervaded the environment of community-based facilities. It was a time of anticipated budget slashing and uncertainty, with little hard information at hand. However, there was a general perception that counties would balance their budgets "on the backs" of community-based programs and that program directors would have a minimal role as consultants in solving the problems of how retrenchment should occur. These directors told us over and over again that community-based facilities operate at a margin, and a sudden withdrawal of funding would bring them "down to the bone" and perhaps to extinction.

At the time that the budget cuts came, a drop in referrals was already expected from two other sources. First, a demographic shift was occurring. The number of fourteen to sixteen year olds, a prime constituency for community-based facilities, was falling dramatically. Second, a philosophic change was occurring in that there was a statewide effort to reduce out-of-home care for all constituencies.

How did the directors we interviewed plan to absorb the budget crunch? Forty-five percent planned to reduce and 11 percent to eliminate staff training—a significant action since the interaction between staff, frequently untrained, and client is intimate but not always supervised. Seventy-seven percent intended to increase use of volunteers, although a substantial number of directors recounted the limitations that volunteers would have when working with seriously dysfunctional client groups. Other sources of funding were being considered by all facilities: fund drives, foundations, fees-for-service, and United Way. Eliminating services was viewed as a viable option by half of the directors. Eliminating staff was mentioned by 60 percent and freezing salaries by 35 percent.

How were these budget cuts going to affect clients? Seventy percent of the directors reported that clients were not being referred unless they were in a crisis situation. The use of community-based facilities as a preventive measure to offset more serious problems down the road was virtually eliminated. A significant proportion of the directors also indicated that their dwindling staffs were spending more time on increased requirements for evaluation and reporting and less time on direct service to clients. Many noted that the tightened eligibility requirements were excluding the "working poor" from access to community-based facilities. These people, unlikely to be covered by health insurance had incomes that were often just above the level that would make them eligible for services paid for by the county. It appeared at the time of these interviews that a return to institutionalization in state hospitals was an inevitable outcome for many family members of this marginal group. Transportation, utilities, housing, fee payments, and child care were all mentioned as increased issues for the client groups using day treatment. For residential clients, the brief periods allowed for treatment resulted in inappropriately timed discharges into unstable situations.

Case Studies of Two Vulnerable Populations

To grasp the complex array of factors that shape and reshape decisions in purchase-of-service agreements with community-based facilities, a close examination was made of what happened to two vulnerable populations during the period of fiscal crisis: the developmentally disabled (those who are mentally retarded or suffer from cerebral palsy) and emotionally disturbed adolescents. The study revealed wide disparities in how the facilities serving these two groups fared.

- The Developmentally Disabled

Services for the developmentally disabled operate within an elaborate and politically sophisticated network of organizations. A lucid and well-understood assessment process is in place for them. It is based on the degree of disability (borderline, mild, moderate, severe, or profoundly retarded). An array of responses is available for these varying degrees, providing an understandable rationale to the whole system.
The community-based facilities that serve the developmentally disabled are known as DACs (Developmental Achievement Centers). These centers provide care and training for small groups of the disabled during the day. Because of fiscal constraints in 1981, directors of DACs were, by the spring of 1982, painting a bleak picture of the outlook for the developmentally disabled:

Because of the block grants, each county is now choosing to fund at different levels—some are not funding at all. We are trying to serve the same number of clients with less money but the waiting lists are growing.

Counties refuse to pay under certain conditions. Clients are being denied their rights. Eventually, many of them will have to return to state hospitals because they will have nowhere to go. This is defeating all of the action during the 70s to deinstitutionalize these patients. We are moving backwards!
The case of a mentally retarded woman with behavioral problems is illustrative. She would be best served in a behavioral achievement center for six months to one year, and eventually would become employed. Her county refused to pay for special programs. Request for funds for five days per week. County will only pay two days per week. It will take her much longer to attain an employable level, actually costing more in the long run because treatment time would be decreased if she could be in a concentrated program.

Counties are a "battleground for human service funds"—different agencies having to fight for limited funds. If these children have to be institutionalized, it would increase costs, not cut them.

A series of legal decisions, however, turned this situation around. A 1980 consent decree had mandated the deinstitutionalizing of the developmentally disabled. This stimulated an increase in the number of community-based facilities serving this population. A 1983 Minnesota Supreme Court decision, on a law suit brought against Kittson County, declared that counties must provide DAC services consistent with the needs of the disabled despite fiscal constraints. In addition, in 1983 the "Home and Community-Based Care" waiver to the Medicaid bill passed Minnesota legislature. This allows Medicaid money to be applied to care in DACs and other day care programs.

These actions provided high priority claims on budget allocations for the developmentally disabled. This population of vulnerable people was favored because of a strong advocacy force behind them—from organizations, service providers, and parents. Yet the stability that seemed available to DACs in 1984 was severely threatened again in 1985. A change in treatment (shifting toward emphasis on vocational and on-the-job training) and a challenge of the Medicaid reimbursement came at the same time that the state legislature voted to eliminate mandated services. Continuing budget constraints at the county level present a continuing challenge to directors of DACs.

- Emotionally Disturbed Adolescents

The situation for emotionally disturbed adolescents is quite different. Facilities and programs for adolescents reflect the variety of circumstances and behaviors that bring them in touch with either the child welfare system or the juvenile justice system. They range from Big Brother and Big Sister organizations to locked wards in state institutions. Assessment of the problem varies depending on how an adolescent enters the system. The child welfare system assumes the adolescent is in need of social services while the juvenile justice system assumes the adolescent has violated a law and must suffer the consequences. The lack of a coherent and consistent diagnostic approach has resulted in large numbers of adolescents moving randomly through various programs and facilities at the discretion of front-line caseworkers, judges, and mental health professionals.

The community-based facilities that serve these troubled adolescents are residential facilities governed either by state Rule 5 or Rule 8. Rule 5 facilities are child care institutions for emotionally disturbed children and adolescents. They provide a treatment plan that includes psychological and psychiatric consultation. Rule 8 facilities are small group homes that provide shelter for abused or neglected children and adolescents or those who have committed "status offenses," such as truancy or running away from home. They are supervised by house parents.

A turbulent period resulted for adolescent facilities in response to the fiscal constraints of 1981. Residential treatment facilities are among the most expensive responses in the range of options available to troubled adolescents. While they are not as costly as hospital psychiatric inpatient units or some specialized facilities that exist in the private psychiatric realm, they nevertheless take a big bite out of county budgets. The average cost per child in 1981 ranged from $30,000 to $40,000 per year and adolescent services absorbed 13 percent of the total county social services expenditures for the state of Minnesota. This figure has not changed substantially in the years since then.

During the period in question, substantial cuts were made in per diem or service agreements for adolescent facilities. Out of thirty Rule 5 and Rule 8 facilities in Hennepin and Ramsey counties, two were converted to emergency shelters and nine were forced to close (though one subsequently reopened). Referrals to facilities were substantially cut, personnel costs in the homes had to be reduced, residents' length of stay were shortened, income eligibility was more closely monitored, and clients with insurance coverage were favored.

Directors noted that their facilities were moving from a preventive orientation to a crisis orientation. Those placed with them were more seriously disturbed than ever. There was an increase in the number of young people whose families could not deal with their psychopathic behavior. Sexual assault victims seeking help tripled in number. Requests for placement of disturbed adolescents leveled off but the requests that came were for acute dysfunctional behaviors. Everything seemed to have dropped a notch: Rule 8 facilities were handling seriously disturbed youth and Rule 5 facilities had become a "dumping ground" for the

Outside St. Joseph's a group of adolescents clean up a car with Kelly Rader, child care worker.
failure of all previous placements.

The administrative mandates for reduced time for adolescents in these facilities meant that seriously disturbed youth were being discharged to unstable and often unsafe home environments. Directors predicted that other parts of the system would "bulge": corrections, state hospitals, and private psychiatric facilities. They also predicted that the long-term effects would be reinstitutionalization and "warehousing" of clients resulting in a "maintenance without treatment" philosophy.

Overall the response of adolescent facilities to the budget crunch was to shift emphasis away from residential facilities to other parts of the system. Shelter use was expanded and private psychiatric facilities and chemical dependency facilities began to expand. Long-term treatment was supplanted by short-term care. A change appeared to be taking place in how residential treatment facilities were perceived: they were becoming the final stop after all other means had been tried. By the end of 1984 the number of beds available for adolescents in community-based facilities had been reduced by 13 percent, but use of emergency shelters had swelled.

Conspicuously absent from the troubled adolescents' scene is a strong advocacy group. There is nothing that corresponds to the efforts made on behalf of the developmentally disabled over the past few years. This is particularly significant in times of financial crisis when all of the vulnerable populations are scrambling to get a piece of the much smaller fiscal pie. The strong voice of families and the adolescents themselves is infrequently heard at budget meetings at the county level and in the legislature.

Conclusions

- **The test of flexibility for the county was met and passed.** From their inception, annual contracts with a network of providers in community-based facilities were hailed as the only way large, bureaucratic organizations could ensure flexibility. The need to have options for change arose from four principal variables: changing client needs, changing philosophies in treatment plans, changing amounts of money available, and changing political choices in terms of which vulnerable populations to favor.

  The fact that a number of facilities were closed during the 1981-82 budget crunch is evidence that the purchase-of-service arrangements can respond quickly to budgetary and client changes. As budgets eased in 1982, annual contracts could also restore cuts. This attests to the flexibility of the system.

  There is a price paid for this flexibility, however: it creates a highly unstable environment. It creates serious administrative problems for directors of community-based facilities in trying to keep a program going. "You can't put kids on ice while you wait for programs to reopen," one adolescent facility director noted, "and you can't put workers on shelves in storage."

  Those facilities that are offshoots of older, traditional agencies may be in a better position to absorb the shock of closure because they can move staff and services to other units. The same may be said for franchise-style facilities, where staff and programs can be combined into other facilities. The free-standing facility is the one most at risk in the vagaries of annual contracts and many of these facilities are the ones best recognized for their fresh responses to emerging needs. The most innovative are likely to be the first to go.

- **To some extent, flexibility in terms of closing facilities is, in fact, constrained by politics.** Certain providers have been known to go directly to county commission for protection when their survival is at stake.

  Can purchase-of-service options with an annual contract encourage innovation in responding to the variety of circumstances that face vulnerable populations? That is open to question.

  While it is in the county's interest to maintain as much flexibility as possible, the providers require stability. Keeping providers on a short leash via annual contracts may be in the county's interests in order to preserve flexibility, but the entrepreneurial spirit may be chilled by an environment that is perceived to be too unstable.

- **Client groups are not treated uniformly in an era of retrenchment.** At a time of shrinking resources, competition intensifies among providers of services for vulnerable populations. The absence of advocacy for any group may lead to benign neglect for them within the politicized atmosphere that characterizes times of dwindling resources.

- **Community-based facilities buffered the budget slashes of retrenchment in a variety of ways.** Among them:

  Eliminating staff, reducing staff hours, training, and services such as transportation; reducing the quality and quantity of services to clients.

  Changing the goals of programs in order to search for new clients who might have coverage from insurance or independent sources.

  Diversifying funding sources. Foundations, the United Way, patient fees, and insurance benefits were all approached as part of the search for substitute funding. In some cases families were asked to pick up transportation costs, in others rescinded services were sold to other facilities. The elimination of services to the "working poor," not included within group health organizations or insurance plans but with incomes too high for the new eligibility guidelines, was persistently noted. This group was described as the genuine victim of fiscal austerity in the community-based facilities system.

- **Changing client admissions to adapt to the increased demands for accountability.** A common observation during this period: "When dollars go down, accountability goes up." In fact, it was asserted that in order to document "effectiveness," only "easy" clients would be accepted in order to provide positive evaluations. Illustratively, troublesome youngsters with complex histories could be rejected, whereas clients who could respond to treatment on a short-term basis would be accepted.

- **In the final analysis, community-based facilities exist within a dynamic system that is continually redefining its needs and responses.** It is fair to say that at times of financial crisis, the county is absorbed in an "accountant driven" mode, searching for ways to maximize reimbursement for services that will relieve the need for local dollars. The effect is to cast a sharp scrutiny on the purchase-of-service agreements, eliminating some, cutting budgets on others, shifting allocations from one group to another. In this highly unstable environment, an interdependence with survival absorbs the directors of community-based facilities. The effect on clients cannot be quantified with precision, but the anecdotal reports are disquieting.

Community-based facilities, as a new tier in the social service system, did weather the financial storm of 1981-82. The casualties were few in number. As one examines the budgets from 1982 through 1985, a roller coaster effect is seen. To survive the shocks of budget cutting, community-based facilities are, generally, attempting to shift away from a dependency on public dollars. This raises a disquieting question, Will these facilities then be available for the county's clients, who are typically poor, and often in extreme distress?

Budgets and program responses are only one way of exploring impacts. Yet to be examined are client responses. What happened to clients in those facilities suffering from sudden shifts of funding? That is the heart of the story and it is yet to be told.

Esther Wattenberg is a professor in the University's School of Social Work and coordinator for CURA's programs in community and social services. This article presents highlights from a full report just published by CURA (Down to the Bone: Community-Based Facilities in A Time of Retrenchment, CURA 86-4). Copies of the full report are available free of charge from CURA (612/625-1551 or use the publications order form in this Reporter).

Photos on pages 10 and 11 by Phil Swanson courtesy of Midway Training Service.

Photos on pages 12 and 13 courtesy of St. Joseph's Home for Children.
New CURA Publications


Highlights from this work are presented in this CURA Reporter.


Many education reform proposals have been issued by Minnesota organizations over the past two years. Here the major proposals are presented in summary form by subject area. Thus one can compare what various reform proposals say about curriculum or student testing or teacher recruitment. In all, eleven subject areas are presented. For each proposal there is a brief description, a statement of basic premises, and a note about the cost implications. The catalogue also includes an overview of the proposals, a legislative update on educational reform in Minnesota, a bibliography, and information about the eighteen Minnesota organizations that proposed these reforms.


A shortened version of the full catalogue, this work presents the overview statement about the proposals, the legislative update, bibliography, and listing of the eighteen Minnesota organizations that prepared these education reforms.


CURA developed MLMIS some years ago and the system is now expanding and available to the entire state through the Minnesota Department of Energy, Planning and Development, which has taken over its operations. MLMIS is a computerized database of the state’s natural resources—one of the world’s premier systems for supporting natural resource planning and decision making. Craig describes how the system is working now, ten years after it was begun. This publication is a reprint of Craig’s keynote address at the thirteenth annual conference of the Australasian Urban and Regional Information Systems Association in Adelaide, Australia in November 1985.


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