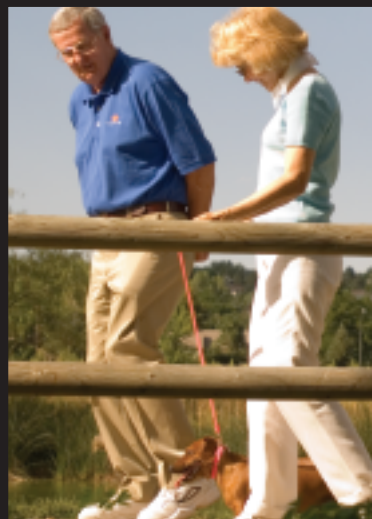


Colorado: The State of Opportunity 2005 Report



The Bell Policy Center

Research • Advocacy • Opportunity



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The Bell Policy Center is a nonprofit public policy organization committed to making Colorado a state of opportunity for all. The Bell seeks to reinvigorate the debate on issues affecting the well-being of Coloradans and to promote public policies that open gateways to opportunity.

Colorado: The State of Opportunity 2005

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Introduction

Anyone who works hard should have the opportunity to succeed.

There probably is no more uniquely American idea than this. The idea that any individual who works hard can prosper is at the core of who we are as a people.

Opportunity motivates effort, unleashes the talents of individuals, feeds a dynamic economy and stimulates creativity and invention.

Opportunity is central to our history and our culture. We believe it should be central to our politics and our public discourse as well. It is time to align our public policies to best promote opportunity for all.

That is the mission of the Bell Policy Center. We believe Colorado should be a state of opportunity – a place where everyone has a realistic chance to build better lives for themselves and their families, and where factors such as race, gender or economic background are not barriers to prosperity.

We believe this vision reflects the values of a majority of Coloradans.

But what does it mean that everyone should have the opportunity to succeed? What *is* opportunity? How is it generated and sustained in the 21st Century?

In this 2005 opportunity report, we try to answer these questions. Based on what we found, we also recommend ways to expand opportunity for all in Colorado.

Opportunity in the 21st Century is not generated by a single action or achieved in a single step.

Our research and advocacy focuses on nine gateways to opportunity, each one representing a critical building block to a life of opportunity – a milestone or achievement that sets up each person for future successes.

Together, these gateways lead to the Cycle of Opportunity, a relatively stable condition in which families and individuals are self-sufficient and can sustain their own economic well-being. (For more on the Cycle of Opportunity and on self sufficiency, see pages 4-6).

This report examines 39 indicators to help us understand who in Colorado is making it through these gateways and, more importantly, who is not.

We explore what Colorado already is doing to help more people make it through each gateway, and we recommend what else we might do to remove barriers and expand opportunities for success.

We can learn much from this and from the Bell's earlier reports. Among the most important observations:

- **Colorado is a state of opportunity for many.** Our economy is rebounding and most families earn enough to get ahead. We are relatively healthy compared to the residents of other states. For most of us, Colorado remains a great place to live, work and raise a family.
- **Colorado is not yet a state of opportunity for everyone.** Serious and persistent challenges face many of our families, making it very difficult for them to break into the Cycle of Opportunity – either in this generation or the next.

- **None of these challenges can be understood or addressed in isolation.** Each affects the others. Families that are not self-sufficient are less likely to have health care. Kids without health care are less likely to show up to school ready to learn. Kids who are not ready to learn in the early grades are less likely to graduate 12 years later and go on to college. Those who don't go to college are less likely to earn a self-sufficiency income. The cycle continues into another generation.
- **Race and income clearly matter when it comes to opportunity.** Poor people, including a disproportionate number of African-Americans and Hispanics, have far fewer opportunities and face more formidable barriers than other Coloradans. The gaps are glaring and stubbornly consistent.

Referendum C propels opportunity

This report comes at an important turning point in Colorado's history. With the passage in 2005 of Referendum C, Colorado voters agreed to allow the state to retain more of the revenues it collects in order to restore some of the cuts forced by the recession earlier in the decade.

This decision was a major step forward. Our challenge as a state is to now use that money wisely to protect and expand opportunity.

We believe opportunity should be the top priority in the state budget. Many of our most important recommendations in this report focus on how to best use the revenues Referendum C allows the state to retain.

In the Colorado Economic Recovery Act, which is the statutory foundation for Referendum C, legislators divided the revenues, allocating 30 percent for public

schools, 30 percent for colleges and universities, 30 percent for health care, and 10 percent to fund the bonds issued under Referendum D.

Under current estimates, each 30 percent allocation will amount to a little over \$1 billion over the next five years. Used wisely, this added funding can boost opportunity for Colorado residents in each area.

Public schools

This report highlights the challenges Colorado faces in education: providing quality preschool for children from low-income families, ensuring students are proficient in reading and math, keeping kids in school all the way to graduation, and preparing high school students to succeed in college.

This report also documents, once again, a persistent achievement gap between students of different races and economic backgrounds.

We believe Referendum C revenues earmarked for public schools should be used to:

- Fully fund the state preschool program.
- Improve teacher training.
- Reward teachers who take on the toughest assignments.
- Reduce class sizes in the early grades.
- Improve high-school instruction and emphasize college preparation.
- Reduce drop-out rates and encourage kids to finish school.
- Explore ways to better align the state's public schools with its colleges and universities in an integrated P-16 system of education.

Colleges and universities

This report highlights the challenges Colorado faces in higher education: providing access to college and training programs for all high school graduates and keeping college affordable.

We believe Referendum C revenues earmarked for colleges and universities should be used to:

- Maintain individual student stipends through the College Opportunity Fund at the highest levels possible.
- Significantly expand need-based financial aid.

Health care

This report highlights the challenges Colorado faces in health care: ensuring access to prenatal care for pregnant women, covering kids with health insurance, keeping Medicaid reimbursement rates high enough so health care providers can afford to serve all patients, offering mental health care to children and adults, helping small businesses cope with the rising costs of employee health care benefits, and protecting against known and potential public health threats, such as West Nile virus or avian flu.

We believe Referendum C revenues earmarked for health care should be used to:

- Expand coverage for children and pregnant women.
- Expand Medicaid eligibility and increase Medicaid reimbursement.
- Expand coverage for mental health and substance abuse treatment.
- Help small businesses cope with rising health care costs.
- Reinstate state support for public health programs.

The fact is that Referendum C will allow the state to restore only a portion of the cuts that had to be made during the recession. It is essential to prioritize services that are cost-effective and that help Coloradans and their families enter the Cycle of Opportunity.

Government plays a critical role

Finally, it is clear from our research that government action is critical to addressing many of the problems outlined in this report.

The public sector should play a limited and supporting role to the private sector. After all, it is the private sector that creates most jobs, generates prosperity and drives innovation.

But public sector spending can and should be targeted to investments in programs and services that will build long-term opportunity for people and for our state and society.

An effective public sector is critical to a prosperous society. It prepares the work force through public schools and colleges, invests in vital infrastructure, provides public safety and addresses environmental threats, offers temporary assistance so families falling on hard times have a second chance at success, and makes sure the most needy among us have access to the basic necessities of life.

Government is not the answer to every problem, and there are large areas of our lives in which it should play no role at all. But when it is needed, it must have the capacity to be effective.

As we have said before, it is time to reject the idea that government is always the problem.

Down that road lies a society that is powerless to solve many of its problems and an economy that places opportunity out of reach for those who don't already have it.

Anyone who works hard should have the opportunity to succeed.

Turning that idea into reality should be our top priority as a state.

By highlighting the challenges we face in 2005 and making recommendations for action, the Bell Policy Center hopes this state of opportunity report contributes to that effort.

The Cycle of Opportunity

The Bell Policy Center first introduced the Cycle of Opportunity concept in 2002 to illustrate how we believe opportunity is created and sustained in the 21st Century.

It represents a series of experiences and events that build on one another and accumulate over the course of a lifetime of effort, and make it possible for families and individuals to realize their full economic, social and personal potential.

If someone gets a good education, she is more likely to get a job that pays well. If she has a job that pays well, she is more likely to be economically self-sufficient. If she is economically self-sufficient, she is more likely to be able to buy her own home and provide opportunities for her children. And if her children are born healthy and get a good education themselves, the cycle will repeat itself.

Most middle-class American families can identify the point at which they entered the Cycle of Opportunity—whether it was when an ancestor homesteaded a farm, when the GI Bill allowed a veteran to become the first in his family to graduate from college, or when fair lending laws made it possible for the great-great-granddaughter of slaves to buy a home.

Whatever the entry point, the Cycle of Opportunity is self-sustaining. Once a family is in, it is likely to stay there from generation to generation.

Individual effort fuels the Cycle of Opportunity. All sectors of society play a role in sustaining it—families, businesses, schools and communities.

Government plays an important role as well. Just as well-functioning markets have been critical to generating prosperity in this country, effective government action ensures that prosperity is available to more and more working families.

The Emancipation Proclamation, the Homestead Act, universal education, rural electrification, Social Security, the GI Bill, the Civil Rights Act: with each step, government swept away barriers and opened new gateways to opportunity for millions—gateways that might never have been opened otherwise.

The way to make opportunity real for all Coloradans is to focus on how society generates opportunity and how it helps families move into the Cycle of Opportunity.

To do so, we must move away from the argument over more or less government and toward a reasoned discussion of what is the right kind of government.



The most tangible way to know when a family enters the Cycle of Opportunity is when it becomes economically self-sufficient.

Self-sufficiency means families are able to meet their basic needs without having to rely on any public or private assistance. That is the definition that underlies the self-sufficiency standard, which we use whenever possible in this report and have long recommended as the best way for the state government or anyone else to measure the economic well-being of families.

The traditional measure of economic well-being is the hopelessly outdated federal poverty level. It is calculated based on the cost of food alone and is uniform for all families of a given size, regardless of where they live in the continental United States, or the actual composition of the family.

The federal poverty level in 2004 was \$15,670 for a family of three – whether that was a family of two adults and one teenager living in rural Mississippi or a single mother with two preschoolers living in New York City.

By contrast, the self-sufficiency standard is a carefully researched tool that helps us better understand what it really takes for a family to make it on its own where it lives. The standard was first developed by an organization called Wider Opportunities for Women and was adapted to Colorado by the Colorado Fiscal Policy Institute.

The self-sufficiency standard recognizes families need much more than food, and that families of different types have different needs. For example, some need child care and some do not. The standard also recognizes these needs cost more in some places than in others. For example, rent is much higher in Aspen than in Grand Junction.

The Colorado Fiscal Policy Institute reported that in 2004, a single parent with two children (one preschooler and one school age) living at a self-sufficiency level in Denver was likely to spend 29 percent of her income on child care, 26 percent on housing, 12 percent on food, 11 percent on net taxes, 8 percent on transportation, 7 percent on health care and 7 percent on other basics.

The cost of those items for that family in Denver in 2004 was estimated at \$41,652 per year – 2.7 times the federal poverty level of \$15,670 for that family.

The percentages and bottom lines vary by county. The same family in Alamosa County, for example, would have needed \$28,266 to be self-sufficient in 2004, 1.8 times the federal poverty level. In Eagle County the family would have needed \$38,695, almost 2.5 times the federal poverty level.

The implications for public policy are profound. If we base our policies on the goal of simply lifting people above the federal poverty level, then we would conclude this family could do just fine on an income of less than \$8 an hour, in Denver, Alamosa or Eagle County. Jobs that pay at that level are within reach of the average high school graduate anywhere in Colorado.

On the other hand, if what we really want to do is ensure this family is self-sufficient (and therefore a net contributor of tax dollars that is not drawing on public assistance), then the parent would need to earn more than \$14 an hour in Alamosa, more than \$19 an hour in Eagle County, and nearly \$21 an hour in Denver.

Jobs that pay at that level are out of reach for many workers who do not have at least an associates degree.

In fact, it isn't until one has a bachelor's degree that the average worker will make near what is required for their family to be self-sufficient in either Eagle County or Denver.

Self-Sufficiency

Thus, to escape poverty as defined by the federal poverty level, one need not worry about going any further than high school. But to be self-sufficient – and to have a shot at entering the Cycle of Opportunity – one should aim for college.

This is one of many implications of making personal decisions and setting public policy based on the new concept of self-sufficiency, rather than the old concept of a federal poverty level.

If we want to increase home ownership (a stated goal of policy makers across the political spectrum), we need to move families toward self-sufficiency so they can save for a down payment and cover a mortgage.

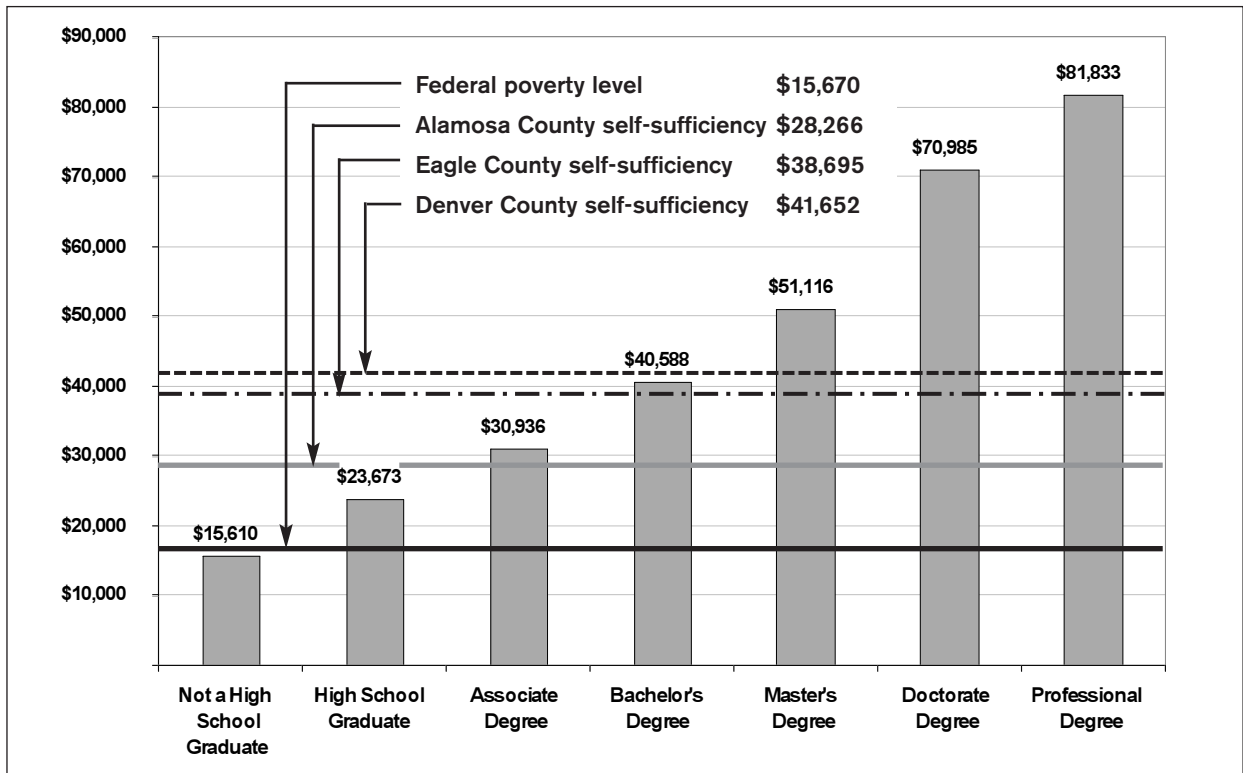
If we want to create jobs that provide health insurance, we need to attract employers that pay self-sufficiency wages.

If we want to break the Cycle of Dependency, it often isn't enough for people to move from welfare to work unless they also improve their education and training so they can get the jobs that pay higher wages.

Self-sufficiency – the ability of a family to make it on its own, to be self-reliant and financially independent – should be the goal of public policy if we are to make Colorado a state of opportunity for all.

Moving families to self-sufficiency and beyond is also a key measure by which we will judge success. Only by knowing where we are aiming are we likely to achieve our goal.

Figure 1. Median annual earnings of adult workers by educational attainment (U.S., 2003) compared to federal poverty level for a family of three, and self-sufficiency standards for families of three in Alamosa, Denver and Eagle counties (2004).



Sources: U.S. Census Bureau, 2004 Current Population Survey, Table 9: Earnings in 2003 by Educational Attainment of Workers 18 Years and Over, by Age, Sex, Race Alone, and Hispanic Origin; Diana Pearce. (2004). The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget.

Summary of Gateways, Findings and Recommendations

Gateway 1: A Healthy Birth, because infants born healthy are better prepared to learn and develop properly in the first critical years of life.

Findings: Colorado does worse than the nation in the number of low birth-weight babies and the number of pregnant women who receive timely prenatal care. On the other hand, the rate of teen pregnancy has dropped dramatically (except among Hispanic girls) and the number of women who smoke during pregnancy has declined.

Recommendations:

- Improve outreach and services for pregnant women, including those with limited English.
- Expand Medicaid eligibility.
- Increase Medicaid reimbursement rates.
- Reinstate funding for local public health services.

Gateway 2: A Safe and Stimulating Early Childhood, because in such an environment a young child can best develop the cognitive, social and emotional skills to succeed.

Findings: Fewer children live in poverty in Colorado than in other states. Still, more than 354,000 live in families that are low-income, including 122,000 who live below the federal poverty level. Nearly 177,000 kids are without health insurance, one of the worst levels in the nation. Affordable options for child care and preschool are limited.

Recommendations:

- Make the child care and earned income tax credits permanent.
- Commit Referendum C funds to ensure all kids have health insurance.
- Consolidate Medicaid, CHP+ and the Colorado Indigent Care Program into a single program.
- Expand child care assistance.
- Fully fund the Colorado Preschool Program.

Gateway 3: Building a Solid Base for Literacy, because literacy is the basis of all future learning.

Findings: Math proficiency among fifth graders has improved, but reading proficiency among third graders has stagnated. Too many are below proficiency in both areas, with minority and low-income kids lagging far behind. Colorado elementary school classes are larger than the national average and above the level recommended for improving student achievement.

Recommendations:

- Use Referendum C funds to improve student performance.
- Improve teacher incentive and development programs.
- Make closing the achievement gap a top priority.
- Better fund reading and literacy programs.

Gateway 4: Establishing a Healthy Lifestyle in Childhood and Adolescence, because habits established early help determine our health throughout life.

Findings: Colorado kids are leaner than in other states, but the number who are overweight is creeping upward. Too many kids suffer serious mental health problems. Cuts have limited treatment options, forcing more kids into the criminal justice system. Drinking, smoking and drug use among teens is dangerously high.

Recommendations:

- Recommit to physical education and nutritional education in the schools.
- Monitor health status of kids and provide parents with information on fitness and nutrition.
- Expand mental health services for kids.
- Expand community-based services for at-risk youth.

Summary

Gateway 5: Leaving High School with a Diploma and the Skills to Succeed, because a high school diploma is an essential step in preparing for the modern workforce.

Findings: Colorado’s high school graduation rate is below 70 percent, and below 50 percent for African-American, Hispanic and American Indian students. Proficiency levels in 10th grade math are below 45 percent for all categories of students. College preparation varies dramatically by race and income. Few who leave high school without a diploma return to finish or to get a GED.

Recommendations:

- Focus attention on recent drop-outs or students in danger of dropping out.
- Appoint a commission to improve performance in high school math.
- Integrate K-12 and higher education into an effective “P-16” system.
- Support programs that allow students to obtain postsecondary education and training as early as possible.
- Consider the recommendations of the Colorado Commission on High School Improvement.

Gateway 6: Access to Education and Training for Adults, because attending and completing college greatly increases one’s chances of being self-sufficient and providing opportunities for a family.

Findings: The education pipeline from high school through college leaks badly, with only two of every 10 ninth graders finishing college in a reasonable amount of time. College attendance by African-American and Hispanic students is up, but still lags behind the nation and is troublingly low. Most minority students who do attend college earn lower-level degrees. Tuition costs are rising while financial aid is falling. Adult training programs are inadequate given the number of adults without high school diplomas.

Recommendations:

- Use funds from Referendum C to keep College Opportunity Fund stipends as high as possible.
- Expand need-based financial aid.
- Require colleges to do a better job measuring how well they provide access to underserved populations.
- Allow undocumented residents from Colorado high schools to attend college at in-state rates.
- Expand adult and family literacy and training programs.

Gateway 7: A Healthy Adult Life, because continued physical and mental health ensures productivity throughout one’s working years.

Findings: Smoking rates among adults are below the national average and declining. Obesity and adult diabetes also are below the national average but increasing. Suicide rates in Colorado remain much higher than the national average. Alcohol abuse is high, especially among American Indians and Hispanics. Nearly 19 percent of working adults in Colorado have no health insurance, consistently above the national average. Colorado employers cover more workers than the national average, though both the state and national averages have declined in recent years. Meanwhile, Colorado’s Medicaid program covers far fewer workers than the national average.

Recommendations:

- Increase benefit levels for treatment of alcohol and substance abuse.
- Increase the state alcohol excise tax.
- Expand eligibility for Medicaid.
- Work with businesses to expand the number of workers covered by employer sponsored health insurance plans.

Gateway 8: Earning a Decent Living and Building Wealth, because self-sufficiency and the accumulation of assets is how we provide for the future of our families and ensure opportunities for the next generation.

Findings: Colorado is a prosperous state with a relatively low rate of poverty. Still, more than one-third of households in Colorado earn less than it takes for a family of four to be self-sufficient in Colorado's least expensive counties. The rate of home ownership is 71 percent, an improvement since our 2002 report and above the national average. Home ownership is much lower among minorities, but is also rising.

Recommendations:

- Increase the state minimum wage.
- Switch from the federal poverty level to a self-sufficiency standard to measure economic well-being.
- Raise or eliminate certain asset limits for public assistance.
- Expand financial literacy curriculum in schools.
- Launch outreach efforts to “bank” those without bank accounts.
- Create a state housing trust fund.
- Make the earned income tax credit permanent.

Gateway 9: A Financially Secure and Healthy Retirement, because our senior years should be rewarding, and we should be able to count on passing on some resources to future generations.

Findings: Nearly 1.4 million Colorado workers lack employer-sponsored pension plans, slightly worse than the national average. Colorado's major public pension program (PERA) is seriously underfunded. Private pension programs are generally well funded, though some are in trouble.

The number of households nationwide that own private retirement assets is increasing. Risk factors for long-term care among Colorado's seniors are slightly below national averages.

Recommendations:

- Encourage employers to offer automatic enrollment in 401(k) retirement savings plans.
- Establish a commission to identify actions to help small businesses provide retirement plans for employees.
- Establish voluntary retirement plans for all workers.
- Ensure PERA's long-term solvency.
- Urge Colorado's congressional delegation to seek long-term solvency of the Social Security and Medicare trust funds and the federal Pension Benefit Guarantee Corporation.

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