

# Blueprint for Opportunity

Issues that matter  
Ideas that work

A guide for Colorado  
candidates and voters  
in the 2006 election

The Bell  
Policy Center



Research • Advocacy • Opportunity

*Dome of Colorado State Capital Building.*

*These lines represent part of the original drawing which is in the possession of the State of Colorado, and are reproduced here for the purpose of showing the general character of the dome.*

*E. E. Myers Archt.  
Toledo, Ohio.*

*Sectional Elevation of one half of Dome showing finish, size and weight part of iron for several parts.*



# The Bell Policy Center

Research • Advocacy • Opportunity

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.

*Blueprint for Opportunity: Issues that matter • Ideas that work*

is published by The Bell Policy Center, Denver, Colorado • August 2006

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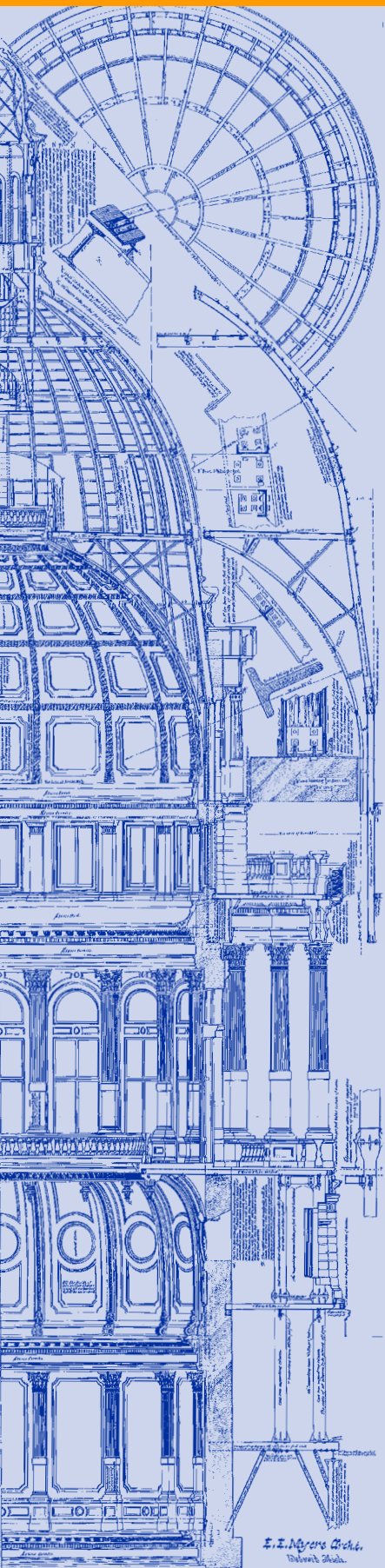
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# Blueprint for Opportunity

Issues that matter • Ideas that work



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# Blueprint for Opportunity

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## Special acknowledgements:

**Many experts** in our research areas kindly reviewed the information in this report. Their assistance does not imply an endorsement of any Bell recommendations. Our appreciation extends to:

**Lori Goodwin Bowers**, senior consultant, Colorado Preschool and Kindergarten Program, Colorado Department of Education.

**John Creighton**, founder, Conocer, Inc.

**Britta Fisher**, Fair Housing Program manager, Colorado Coalition for the Homeless.

**Pamela Hanes**, Ph.D., president and CEO, Colorado Health Institute.

**Paul Harstad**, CEO, Harstad Strategic Research, Inc.

**Dr. Mark B. Johnson** of Golden.

**Tony Lewis**, executive director, Donnell-Kay Foundation.

**Molly Markert**, executive director, Colorado Coalition for the Medically Underserved.

**Chaer Robert**, director, Denver Women's Commission.

**Van Schoales**, program officer, Piton Foundation.

**Eric Stein**, senior vice president, Center for Responsible Lending, Durham, N.C.

**Suzette Tucker-Welch**, senior fiscal policy analyst, Colorado Fiscal Policy Institute.

**Sherry Freeland Walker**, director of communications, Colorado Health Institute.

**Lisa Weil**, co-founder, Great Education Colorado

**Kathy White**, project coordinator, Colorado Fiscal Policy Institute.

# Authors, Acknowledgements & Partners

## Illustrations and printing

**The images repeated throughout this document** are from the collection of original drawings prepared in the 1880s for the Colorado state Capitol building by architect Elijah E. Myers. The images appear in this report courtesy of the Colorado State Archives.

Thanks to State Archivist **Terry Ketelsen** for providing the image and permission to use it, and to **George Orłowski**, archivist and research coordinator for the Colorado State

Archives, **Daniel M. Chapman**, assistant director for administration for Colorado Legislative Council, and **Kevin Scott**, event and film liaison for the Denver Office of Cultural Affairs, for help in the image search. **Ken's Reproductions** digitized the capitol image.

**Mountain West Printing Ltd.** printed this report. Thanks to prepress manager **Jason Flynn** for technical assistance.

## Thanks to Bell Policy Center partners

The Bell's research and advocacy are underwritten  
by valued individual and grant-making partners.

We thank them and acknowledge these entities for their important support:

The Altenberg Family Philanthropic Fund  
American Friends Service Committee  
Anchor Point Gift Fund  
The Bighorn Center for Public Policy  
Bohemian Foundation  
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Kern Family Foundation  
The Jay and Rose Phillips Family Foundation  
Polis-Schutz Family Foundation  
The Rose Community Foundation  
The Women's Foundation of Colorado

The support of these organizations does not imply an endorsement  
of the recommendations contained in this report.



# Blueprint for Opportunity

Colorado is a land of Opportunity for many of us – a place where those who are willing to work hard and play fair can realize the American Dream. Our task is to extend this promise into the 21st Century.

We all know the world is changing. The forces of a global economy create a brand new set of challenges for Colorado families.

Our top priority should be to bring economic security to middle class families in uncertain times and create the conditions that will allow more families to join the middle class.

Our goal is the same as it has been for many generations: To create a prosperous and fair economy – an economy that rewards hard work, not greed; that benefits the many, not the few. And, like generations before us, it is our turn to rise to the occasion.

Colorado families face huge uncertainties – sky-rocketing health care costs, spiking energy costs, increasing debt and foreclosures, the potential loss of pensions and retirement plans, stagnant wages, increased costs for essentials like housing and insurance, and declining savings.

Frankly, many families today feel they are on their own.

But they are not on their own. America has always looked to changing times and found new opportunities for prosperity and greatness, and we will do that again.

Coloradans deserve a state government that will confront these challenges and help keep the American Dream alive for hard-working families.

We cannot and do not want to turn back the clock, and we can't close ourselves off from the rest of the world.

But we *can* make sure our people are ready to compete; we *can* have schools that work for all our kids; we *can* enhance the economic security of families; we *can* ensure access to health care while holding down costs; we *can* create quality jobs that pay well and provide benefits; and we *can* do more to keep housing affordable, improve savings rates and expand retirement options.

And we can have a government that serves our needs, keeps our trust, uses our tax dollars wisely, and is truly accountable to the people it serves.

In short, we can make state government work for all families; a government that makes prosperity and opportunity for all its top priority.

This *Blueprint for Opportunity* outlines proposals we believe are at the core of such an agenda in Colorado. It consists of four sections:

- Preparing our kids to prosper in a global economy
- Helping families get ahead and join the middle class
- Helping middle class families stay ahead
- Making state government work

We make specific proposals in each section. Each proposal addresses a serious barrier Colorado families face every day.

Each proposal is well researched and would be cost-effective, and most can be adopted in the next legislative session.

And, if implemented, each will significantly improve the lives of Colorado's families.

# Executive Summary

1. To prepare our kids to prosper in a global economy, Colorado should:

- ✓ Raise the performance of all students and narrow the achievement gap among kids of different races and economic backgrounds.
- ✓ Help more kids stay in school until they are prepared to succeed in college or the workplace.
- ✓ Make college more affordable and accessible to anyone who wants to go to college.

2. To help more Colorado families get ahead and join the middle class, we should:

- ✓ Make sure hard work pays enough to support a family.
- ✓ Make family necessities more accessible and affordable.
- ✓ Give families the tools they need to save and build wealth.

3. To help middle class families stay ahead in Colorado, we should:

- ✓ Restructure the education system for the 21st Century.
- ✓ Ensure Colorado families can afford the health care they need.
- ✓ Renew the promise of secure pensions and retirement plans.
- ✓ Make strategic investments in the jobs and infrastructure that underpin a competitive economy.

4. To make state government work for all of us, we should:

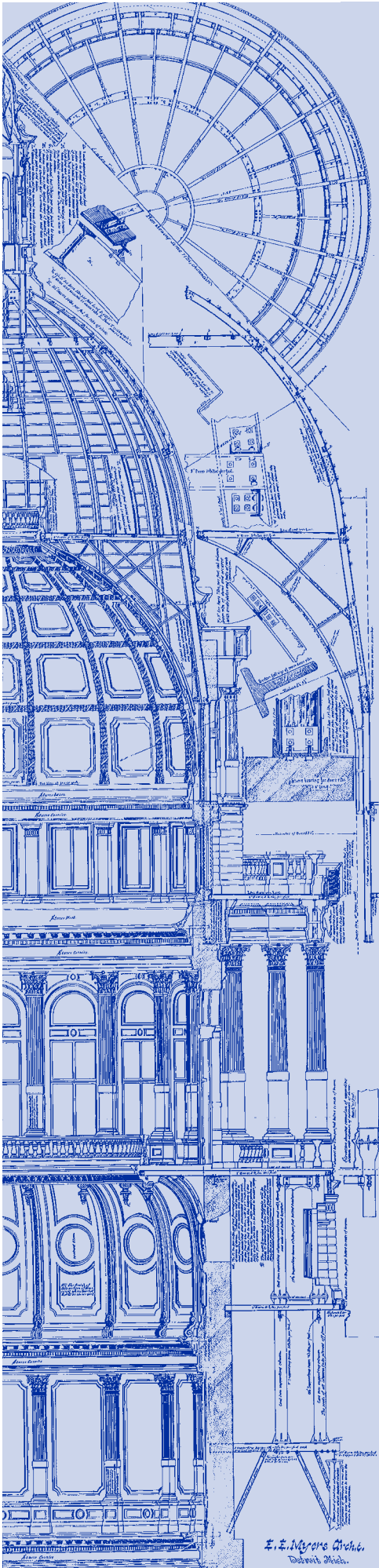
- ✓ Give our elected officials more of the tools they need to do their job.
- ✓ Hold our elected officials and state agencies more accountable.

## Blueprint for Opportunity: A call to action

In 2006, Colorado will elect a new governor and new legislators.

In this election, Coloradans have the chance to commit to an opportunity agenda for the future – to extending opportunities for families in a changing world.

- We call on **candidates for office** to read and endorse these measures and commit to implementing them if elected.
- We call on the **media** to scrutinize this report and ask candidates where they stand.
- We call on **those who disagree** with this agenda to explain why they believe their ideas will better meet the needs of Colorado's families.
- We ask **activists** to help spread the word about the importance of an opportunity agenda.
- And we ask **voters** to let opportunity be their guide as they decide who they want to serve them in the future.



To make Colorado a land of opportunity for all in the 21st Century, we have to start with education. Our top priority must be preparing our kids to be good citizens and to compete and prosper in a global economy. Everything builds on this foundation. If we fail in this, nothing else we do will matter much.

We cannot afford a dual system that moves some kids forward and leaves others behind. We need all young people to be able to compete and contribute to our state. Our communities and our economy will suffer otherwise. Students who don't develop their talents or reach their potential will contribute less to their communities and are more likely to impose costs on the system throughout their lives. They will be less productive than they could be in an economy that needs everyone pulling in the same direction.

So we need schools that work for all our kids. That means raising performance across the board; providing flexibility and rewarding innovation; closing the persistent performance gaps among kids of different economic and racial backgrounds; letting no one fall through the cracks; preparing kids to succeed, whether in college or the workplace; and ensuring kids who want to go to college can afford to do so.

# 1. Prepare our kids to prosper in the global economy.

**Colorado can raise the performance of all students and narrow the achievement gap between groups of students by:**

- ✓ Attracting and retaining teachers who are ready to meet the education challenges of the new century, and supporting them with incentives and training.
- ✓ Giving principals more power to innovate and take risks.
- ✓ Giving parents the option to enroll their kids in quality, affordable pre-school and full-day kindergarten.
- ✓ Addressing the social and economic factors that affect student performance.
- ✓ Closing the technology gap that leaves some kids behind, especially in rural communities.

**We can help more kids stay in school until they are prepared to succeed in college or the workplace by:**

- ✓ Making sure all kids get the best guidance from teachers, principals and counselors about planning their futures, and expanding the reach of effective pre-collegiate programs so no kid falls through the cracks.
- ✓ Removing bureaucratic barriers to dual-enrollment programs that allow high school students to earn post-secondary certificates or degrees.

**And we can make college more affordable and accessible to anyone who wants to go to college by:**

- ✓ Increasing College Opportunity Fund stipends for students so tuition is held to a minimum, and increasing financial aid for students who need it.
- ✓ Ensuring Colorado's state and community colleges focus on serving families and communities in all parts of the state.

## Raise the performance of all students and narrow the achievement gap among kids of different races and economic backgrounds.

In the 21st Century, Colorado needs the talents of every single person. This requires us to raise student performance across the board, and it requires us to narrow the large and persistent gap in average performance among students of different races and economic backgrounds.

The most important factor determining whether a student learns is the teacher. Learning takes place when good teachers make real connections with students.

We cannot legislate that from the state capital. But we can structure the system so it puts the highest priority on what goes on within the school building itself. We can provide incentives for districts to focus on teaching and learning in everything they do. We can make sure all students have access to talented, well-trained teachers.

**There are many good teachers**, but too often they don't get the support or training they need to be effective, especially in challenging classrooms. We need to attract and retain teachers who are ready to meet the educational challenges of the 21st Century. That means being ready to compete for talented people with other industries, not just school districts in other states. It also means giving teachers the support they need, in and out of the classroom, to be most effective.

### ✓ Support quality teaching

**We need to encourage our best and brightest to go into teaching, and we need to create more innovative ways to retain and develop that talent. We need to ensure teachers are not just qualified, but get the support, training and recognition to be successful. That includes changing incentives in the system so the best teachers are rewarded for taking on the toughest assignments.**

**We also know principals make a critical difference in learning.** Research shows innovative school leadership is second only to quality teaching in its impact on learning, especially in schools where the needs are most pronounced.

In fact, a good principal is one of the key factors in attracting and keeping quality teachers in challenging schools. And empowering principals to be academic innovators creates a wider range of options within the public school system, giving parents more choices for their kids.

### ✓ Give principals the power to lead

**We need to recruit and retain the most talented principals, and we need to reward them for taking risks, innovating, and working with teachers to ensure each is performing to his or her fullest potential. This means removing bureaucratic barriers and giving principals more authority, including more financial control so they can allocate resources in a way that makes the most sense for students.**

**One way to accomplish this would be a weighted student-funding formula that moves spending decisions as close to the student as possible.**

These steps can raise the performance of all kids. They also can help reduce the performance gap between groups of kids. But we need to do a lot more.

**The gap in performance is real and well-documented.** It appears in the earliest grades and continues through graduation. On average, kids from low-income families have lower test scores than kids from middle-income families.<sup>1</sup> Similarly, on average, black, Hispanic and American Indian kids have lower scores than white and Asian American kids.<sup>2</sup>

# 1. Prepare our kids to prosper in the global economy.

This is not just a crisis for low-income and minority kids, and addressing it is not just a matter of fairness. These kids are part of our future work force.

If we let the performance gap in schools go unchecked, it will become an opportunity gap in our economy and will perpetuate divisions in our communities, create a permanent underclass, and diminish all of us – morally and economically.

The earlier in each student's life we address the factors that contribute to the gap, the better off we will be. We know low-income kids who attend quality preschools and full-day kindergarten will perform better in school.

Kids who participate in the Colorado Preschool and Kindergarten Program, for instance, need less special education, are held back less often, score better on tests, and are more likely to graduate than students generally.<sup>3</sup> Families should have the option to enroll their kids in these programs without cost being a barrier.



## Colorado's Achievement Gap

- 30:** Percentage gap in average CSAP scores between kids from low-income families and kids from middle- and high-income families.<sup>4</sup>
- 51:** Percentage of Hispanic students who scored proficient or above in third grade reading.
- 54:** Percentage of black students who scored proficient or above in third grade reading.
- 80:** Percentage of white students who scored proficient or above in third grade reading.<sup>5</sup>
- 33:** Total number of black students in the entire Denver Public Schools who scored proficient or above on the 2005 tenth grade math CSAP.
- 61:** Total number of Hispanic students in the entire Denver Public Schools who scored proficient or above on the 2005 tenth grade math CSAP.<sup>6</sup>



## Caution: A choice, not a mandate

Some parents are concerned about being required to send their kids to preschool or full-day kindergarten.

With this recommendation, we are only talking about giving families an option.

Our goal is to expand choices by making sure these services are available and affordable for those who might choose to use them.

## ✓ Give parents the option to enroll their kids in quality, affordable preschool and full-day kindergarten

We should fully fund the Colorado Preschool and Kindergarten Program, extend it to all districts, and increase outreach to serve all families in need. We should also help school districts provide the option of full-day kindergarten to those parents who want it. This year, the legislature took a major step in this direction, but it needs to finish the job.



For more information, go to Blueprint Brief No. 1, "Give parents the option to enroll their kids in quality, affordable preschool and full-day kindergarten."

We need more and better instruction. But narrowing the gap in performance will require more than just teaching longer, better or harder. The RAND Corporation says factors outside the school building account for 75 percent of the gap.<sup>7</sup>

**Many kids show up to school unprepared to learn** because of challenges in the family or the community or because of their economic status.

# Blueprint for Opportunity

We know kids from lower-income families, on average, have less nutritious diets and see a doctor or a dentist less often than they should. They miss more days of school due to illness, or they sit in class distracted by hunger, ear-aches or toothaches.

We know many hard working parents who earn low wages have less time to read to their kids, and we know some parents who didn't complete school themselves or who don't have a strong command of English are less able to help their kids with homework. We know many low-income families move frequently, which means their kids change schools more often.

We know many teenagers from low-income families work to help the family pay the bills. These kids have less time and energy to do homework, or participate in sports or other extra-curricular activities. Often, they can't get enough sleep to stay attentive in class.

Differences like these affect student performance even though they have nothing to do with the schools. They show up in the schools because that's where kids spend their time and that's where we measure their performance.<sup>8</sup>

Narrowing the performance gap will require us to address social and economic factors outside the school that affect student performance.

## ✓ Address social and economic factors that affect student performance.

**Colorado should launch an all-out effort to tackle the social and economic problems that contribute to the performance gap in schools.**

**Some can be addressed in cooperation with schools – for instance, expanding after-school and summer programs; providing health, sight, hearing and dental screenings in schools; offering family literacy programs; and better coordinating between schools and community support services.**

**Other factors must be addressed by the larger community. We should increase the minimum wage and expand the Earned Income Tax Credit to bring more financial stability to the lowest-income families.**

**We also should improve housing options and attack homelessness to reduce the number of times some kids move and change schools. These and other steps are addressed elsewhere in this Blueprint.**



**For more information, go to Policy Brief No. 2, "Understanding and closing Colorado's Achievement Gap."**

**In addition to the performance gap, we face a troubling technology gap** between rural and urban school districts and between rich and poor districts in Colorado. This is a major issue that affects the ability of many of our kids to compete.

Rural school districts have always faced unique challenges attracting quality teachers and offering a broad range of courses. Technologies such as video conferencing and broadband Internet offer the prospect for rural schools to increase access to quality teachers and diversify the courses they offer.<sup>9</sup>

But a few customers spread across a wide area provide little incentive for commercial broadband service providers to expand into rural areas. Despite state government efforts to help some rural areas gain broadband Internet capacity, Colorado still lags far behind.

In May 2006, *Education Week* gave Colorado a grade of D-minus for student access to technology, compared to a national average grade of C-plus.

The magazine reported an average of 10.4 students per instructional computer and 11.1 students per Internet-connected computer in Colorado. This is much worse than the national average of 7.6 students per instructional computer and 8 students per Internet-connected computer.<sup>10</sup>

# 1. Prepare our kids to prosper in the global economy.

✓ **Close the technology gap that leaves some kids behind, especially in rural communities.**

We need to encourage distance learning by equipping every classroom with quality education technology. Our efforts should focus on low-income and rural schools and should include lowering the number of students per Internet-connected computer.

This should involve partnerships with private Internet service providers and include a multi-year grant program to help schools upgrade capacity and training.



For more information, go to Blueprint Brief No. 2, “Close the technology gap that leaves some kids behind, especially in rural communities.”



## The 65 Percent Solution: One solution that won't work

In this Blueprint, we recommend policies we think will expand opportunity in Colorado. One policy we know will **not** expand opportunity is the so-called “65 Percent Solution.” Colorado voters will vote on two versions this fall – one is bad, the other is worse.

Here's what you should know about **Amendment 39**, the worst of the two:

- It is based on the flawed premise that all we need to do to improve education is impose a one-size-fits-all mandate on school funding. But there is absolutely no evidence that a rigid formula for funding items that are arbitrarily identified as being “in the classroom” does anything to improve learning.
- It excludes spending for many of the things we know do improve learning, such as empowering principals, increasing the number of high school counselors, or addressing some of the factors that contribute to the performance gap among students of different races and economic backgrounds.
- It imposes an unfunded state mandate on local districts, without regard to the special circumstances of each district or the priorities of elected school boards. This may be a particular challenge for sparsely-populated rural districts, for example, that have to spend more money busing kids to and from school – an expense that is not included in the formula.
- It is a constitutional amendment, and as such is a rigid formula that cannot be adjusted by the legislature when there are undesired consequences.

**Referendum J** is not as bad as Amendment 39 because it is not a constitutional amendment and because it includes in its formula more of the items we know help improve performance. But it is still a bad idea because:

- It is based on the same flawed premise that we can improve education through a rigid, one-size-fits-all formula. There is absolutely no evidence that a formula for funding arbitrarily identified items does anything to improve learning.
- Because it would bring no new money to the table, it could override local priorities and force local districts to cut programs that may work simply because they don't fit the state formula.
- It imposes an unfunded state mandate on local districts, without regard to the special circumstances of these districts or the wishes of their elected school boards.

**The bottom line is that neither proposal will improve learning. In fact, Amendment 39 is likely to hurt, since it will actually impede implementation of some strategies we know will improve learning, including some outlined in this Blueprint.**



For more information, go to Issue Brief No. 5, “65 Percent Solution spending plans for Colorado school districts.”

## Help more kids stay in school until they are prepared to succeed in college or the workplace.

Raising performance levels is a challenge in all grades and subjects. But there is another challenge for high schools: ensuring that kids do not leave the system before they are prepared to succeed.

No kids should leave school unprepared. That means keeping students engaged and challenged until they are ready for college or qualified for skilled jobs.

We have our work cut out for us. Colorado's drop-out rate is shamefully high.<sup>11</sup> We know kids who don't get a high school diploma are often consigned to low-paying jobs, or worse, throughout their lives, at a time when we need all workers to be as productive as possible.

We literally cannot afford to create a permanent underclass in Colorado, and we must start by dramatically increasing the high school graduation rate.



### Dropping out in Colorado

**11,503:** The number of students who dropped out of Colorado schools during the 2003-04 school year, according to the Colorado Department of Education.<sup>12</sup>

**49:** The percent of black students who graduate from high school in Colorado, according to the Urban Institute.

**48:** The percent of Hispanic students who graduate from high school in Colorado, according to the Urban Institute.

**41:** The percent of American-Indian students who graduate from high school in Colorado, according to the Urban Institute.<sup>13</sup>

**6 to 1:** The ratio between students from low-income families who drop out of school and students from higher-income families who drop out.<sup>14</sup>

Kids drop out of school for a variety of reasons. Some are not challenged enough. Some do not receive adequate guidance about the choices they make. Some are not encouraged to believe they can succeed. Some simply fall through the cracks. We can address many of these problems.

**Lack of information and guidance is a major barrier for many students and their families.** Young people simply cannot exercise their full range of options if they don't know what those options are. Similarly, if students are not encouraged to believe they can compete or afford college, they will make other choices.

These are real issues, especially for kids whose parents are not engaged in their lives or did not attend college themselves and have never navigated the post-secondary system.

We need to ensure students from all academic, racial, ethnic and economic backgrounds get the information and guidance they need to make good choices about life after high school. This has to start in the early grades and must be the responsibility of every adult involved with the student – teachers, principals, parents and counselors.

The ultimate goal is a system that provides thoughtful, individualized guidance to help every student make the most of his or her education and chart a meaningful course for the future.

We need to rethink the role of counselors and better integrate the responsibility for guiding students into the daily work of others in the school building. Part of the problem is there often are too few guidance counselors to work with teachers and give kids the personal attention many of them need.

In Colorado, there is one counselor for every 553 students – far worse than the national average of one for every 488 students and more than twice the recommended level of one counselor for every 250 students.

# 1. Prepare our kids to prosper in the global economy.

Pre-collegiate programs can also offer academic tutoring, financial counseling and other support services to help kids navigate the transition from middle school to high school, and from high school to college or the work force. These should be encouraged and expanded so they are available to all students who need them.

✓ **Improve the guidance students get to plan their futures, and expand the reach of pre-collegiate programs so no kid falls through the cracks.**

Colorado should help districts create a culture in the schools in which all students believe they can succeed and every adult takes responsibility for helping students chart productive futures.

One way to help is to increase the number of counselors, and to ensure the student-to-counselor ratios are lowest in schools that serve the most low-income kids. We should also ensure counselors, teachers, principals and parents get training and support to be effective mentors.

And we should encourage greater use of and coordination with pre-collegiate programs throughout the state.

**Another good idea is to better connect high school and post-secondary education.** Dual enrollment programs keep kids engaged by letting them take college courses or earn post-secondary certificates or degrees while completing their high school diplomas.

There is good evidence these programs can help all students, including middle- and low-achieving students and at-risk students.

Successful dual enrollment programs have existed in Colorado for years. Recently, bureaucratic turf battles between state departments have prevented the expansion of dual enrollment programs. That is inexcusable.

✓ **Remove the bureaucratic barriers to dual enrollment programs that help high school students earn post-secondary certificates or degrees.**

We must encourage the development and expansion of dual enrollment and other innovative programs throughout the state. If the state Department of Education and Department of Higher Education and their governing boards cannot agree on how to do this, the legislature should by-pass them and make it happen.



For more information, go to Blueprint Brief No. 3, “Remove the bureaucratic barriers to programs that help high school students earn post-secondary certificates or degrees.”

## Make college more affordable and accessible to anyone who wants to attend.

Being competitive in the global economy will require more of our workers to go beyond high school. So we should be concerned that 30 percent of Colorado's kids don't graduate from high school on time, and that another 30 percent do not enter college the next year.<sup>15</sup>

And we should be very concerned that the numbers are far worse for low-income and minority students. Too few of our kids are finding their way into the college system, and too few of those who start college are staying to graduate.

That is a crisis, and it requires our full attention. Everyone should have the opportunity to go to college, and the only limit should be an individual's own interests and abilities.

We clearly fall short of that goal.



### College attendance in Colorado

- 22:** The percent of college-age adults from low-income Colorado families actually attending college. The national average is 25 percent and is itself far too low.<sup>16</sup>
- 11:** The percent of college-age Hispanics in Colorado actually attending college.
- 28:** The percent of college-age blacks in Colorado actually attending college.
- 36:** The percent of college-age whites in Colorado actually attending college.<sup>17</sup>

Better preparation and better counseling will help. But in Colorado, many otherwise able students do not go on to higher education because they cannot afford to. Again, this is not just a matter of fairness. To compete, we need the best talents of everyone.

The idea that a talented, motivated kid may be prevented from fully developing his or her skills is an economic and a moral challenge for us all. Cost should never be a barrier for anyone who wants to go to college.

**Colorado simply doesn't provide enough support to help students** and their families offset the rising costs of college. In 2005, state funding per college student in Colorado hit its lowest point in a quarter century.<sup>18</sup> For the first time in recent history, we now rely on students and families to pay more in tuition than the state pays from general tax revenues.<sup>19</sup> Even with the increase last year from Referendum C, we spend less on financial aid today than three years ago, although the need has grown.

As a result, many talented kids don't attend college at all. Those who do often take on large debt. The pressure to pay off this debt often discourages students from choosing public service careers, such as teaching or nursing.<sup>20</sup>



### The financial burden of higher education

- 20:** The percent of income the average Colorado family spends to send one kid to college.
- 33:** The percent of income Colorado's poorest families spend to send one kid to college.<sup>21</sup>
- 25,000:** The number of students in Colorado colleges and universities who qualify for federal Pell grant assistance but receive no state financial aid.<sup>22</sup>
- \$17,400:** The average loan debt for a student graduating from a public four-year college or university in Colorado.<sup>23</sup>
- 24:** The percent of undergraduate students who report paying for tuition with credit cards, which can charge 18 percent interest or more.<sup>24</sup>

# 1. Prepare our kids to prosper in the global economy.

We need to lower the cost barrier so more kids can go to college. We can do that by using the money generated by Referendum C to increase per-student spending and expand financial aid for students who need it.

Colorado is the only state to fund colleges through individual student stipends. Thanks to the passage of Referendum C, the legislature was able to raise the College Opportunity Fund stipend from \$2,400 to \$2,580 per full-time student for the 2006-07 school year. In return, colleges are obligated to hold down tuition. This helps every family that sends a kid to college. Our goal should be to continue to increase the level of support per student.

## ✓ **Increase College Opportunity Fund stipends and need-based financial aid.**

**Increasing the stipend and holding down tuition should be a top priority. We should increase the stipend to at least \$3,000 per full-time student in 2007, and higher if possible. And we should make sure COF stipends keep pace with inflation after that.**

**Colorado should also double need-based financial aid and work-study opportunities. And we should make sure financial aid goes to the students who need it the most, to give them the best chance to stay in college and earn a degree.**



For more information, go to Blueprint Brief No. 4, "Increase College Opportunity Fund stipends and need-based financial aid."

## **Access to college isn't just about money.**

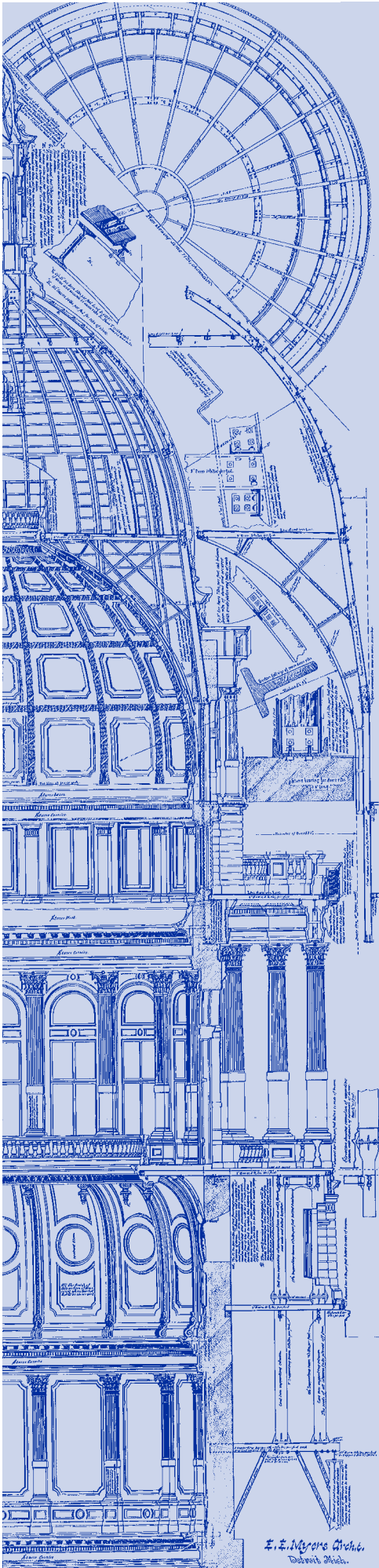
In many parts of the state, it's also about geography. In communities like Trinidad, Lamar, Sterling, Alamosa, Durango and Grand Junction, state-supported colleges provide affordable local options for many Coloradans who otherwise would have to move to the Front Range to continue their education.

Community colleges expand access and opportunity for students seeking training for practical careers, and they are critical to the vitality of many communities throughout the state. We need to maintain and strengthen this network to ensure access and opportunities for families, regardless of where they live in Colorado.

And we need to support the dual mission of community colleges in preparing some students for four-year programs while preparing others directly for the promising careers of the future, such as nursing and medical technology.

## ✓ **Ensure Colorado's extensive system of state and community colleges focuses on serving families and communities in all parts of the state.**

**We should use Referendum C money to help make up for past funding cuts to community colleges, junior colleges and state colleges throughout Colorado, giving priority to institutions serving and demonstrating a commitment to low-income, underserved and rural students.**



Keeping the American Dream alive in the 21st Century means making sure families can still get ahead and join the middle class.

We know how the American Dream is supposed to work. A family of limited means works hard, plays fair, and lives frugally. Eventually, the family saves enough to buy a house or open a business. Within a generation or two, that family is firmly part of the middle class.

But there's more to the story. For many families – perhaps most – the American Dream did not happen without at least some boost from the public sector, whether it was the Homestead Act that made it possible for ancestors to establish farms; the GI Bill that made it possible for World War II veterans to graduate from college; or fair lending laws that made it possible for the great-great-grandchildren of slaves to buy homes.

The deal should be today as it has been in the past: people who work hard and take responsibility should not be prevented from getting ahead by any barrier the public sector has the power to remove.

How can government help families meet today's challenges? What is the 21st Century equivalent of the Homestead Act or the GI Bill?

We have to start by thinking differently, because the old approaches don't work any more. On one hand, we can no longer pretend simply cutting taxes and shrinking government leads to prosperity, because that strategy leaves society powerless to help solve many of the problems families face today.

On the other hand, we can no longer say it is enough to lift people above the poverty line, because there is a big difference between making a family a little less poor and actually helping it enter the middle class.

## 2. Helping families get ahead and join the middle class.

We should fight poverty, of course, because 10 percent of Colorado's families – and almost 13 percent of Colorado's children – still live below the federal poverty line.<sup>1</sup> But at least twice as many of our families and children live in the economic no-man's-land between the federal poverty line and actual self-sufficiency.

We must address their challenges, too, by ensuring that hard work pays and that necessities like housing, child care and health care are affordable.

And we should make sure that, as low-income families continue to climb toward self-sufficiency, they also can begin to save and build assets, because that is how they will ultimately leave dependency behind for good, join the middle class and achieve the American Dream.

### **Colorado can help make sure hard work pays enough to support a family by:**

- ✓ Giving minimum wage workers their first raise in a decade.
- ✓ Cutting taxes for working families by expanding the state Earned Income Tax Credit.
- ✓ Eliminating the "cliff effect" of policies that inadvertently punish families for increasing their earnings.

### **We can make family necessities more accessible and affordable by:**

- ✓ Using a housing trust fund to increase affordable housing.
- ✓ Making sure working parents have access to quality child care they can afford.
- ✓ Strengthening our health care safety net.
- ✓ Extend access to health care for more low-income, uninsured and under-served people.

### **And we can give families the tools they need to save and build wealth by:**

- ✓ Encouraging savings through a statewide program of Individual Development Accounts and financial training.
- ✓ Helping low-wealth Coloradans create small businesses.
- ✓ Cracking down on predatory lending.

## Make sure hard work pays enough to support a family

Individual effort is still the cornerstone of the American Dream, and a good job is still the best pathway to success. So we should start with the premise that people who work full-time should be able to make ends meet.

We are a long way from that goal. Two parents working full-time in minimum wage jobs, for instance, do not make enough for a family to be self-sufficient anywhere in Colorado. By the time parents pay for housing, child care, health care, food, transportation and other essentials, there is little left – certainly not enough to get ahead.

We can take several steps to better reward the hard work of low-income families and move them more quickly out of poverty and toward self-sufficiency.

Let's give minimum-wage workers their first raise in a decade. Let's increase our state Earned Income Tax Credit so low-wage workers can keep more of what they earn. And let's eliminate the so-called cliff effect in some assistance programs that actually punishes low-income families as they start to earn more.



### Caution: Minimum wage increases do not result in job loss

Many critics of increasing the minimum wage allege that doing so will cause employers to hire fewer low skilled workers.

But economic studies conducted by the Economic Policy Institute, and evidence from the 23 states that have already raised their minimum wage, prove that modest increases in the minimum wage like the one we propose benefit low-income workers and families without causing job loss or harming business.<sup>2</sup>

A Fiscal Policy Institute study shows growth in small business jobs was faster in states with minimum wages higher than the federal rate than it was in other states.<sup>3</sup>

**The minimum wage in Colorado** is the same as the federal minimum wage – \$5.15 an hour. That's less than \$11,000 per year for a full-time worker. Minimum wage workers haven't had a raise since 1997, and their earnings are at a 56-year low relative to average wages.

We are not just talking about teenagers in part-time jobs. Of minimum wage workers, 35 percent are the sole breadwinners in their homes, including many women.<sup>4</sup>

In a nation that values hard work and self-reliance, no one should have to work full-time for wages that leave a family below the poverty line. As a simple matter of fairness – and to strengthen families and encourage work – we should raise the minimum wage in Colorado.

Colorado voters may have the opportunity to take such action this fall by approving a proposed amendment on the November ballot.



### What the minimum wage is worth today

**\$5.15:** The current state and federal minimum wage.

**\$6.23:** The minimum wage today if it had just kept pace with inflation since 1997.<sup>5</sup>

**\$7.16:** The minimum wage today if it had kept pace with average wages in Colorado since 1997.<sup>5</sup>

**\$22.42:** The minimum wage in 2004 if it had kept pace with average CEO pay since 1990.<sup>6</sup>

**138,000:** Approximate number of workers in Colorado who will directly or indirectly benefit if the minimum wage is increased to \$6.85. This includes 73,000 who now make less than \$6.85 per hour and 65,000 who make a little more than \$6.85 an hour, but are likely to see their wages increase.<sup>7</sup>

**23:** The number of states, plus the District of Columbia, that have already increased the minimum wage.<sup>8</sup>

## 2. Helping families get ahead and join the middle class

### ✓ Give minimum wage workers their first raise in a decade.

Colorado should raise the minimum wage from \$5.15 to at least \$6.85 an hour, and we should adjust the minimum wage to inflation every year thereafter. This will increase the incomes of the lowest-paid workers by \$1.70 an hour, or \$3,500 per year, and help them keep up with the rising costs of necessities such as food, health care, gas and housing.



For more information, go to Blueprint Brief No. 5, “Give minimum wage workers their first raise in a decade.”

**Our lowest-paid workers should also be able to keep more of what they earn.** The federal Earned Income Tax Credit is one of the most effective anti-poverty programs ever, lifting at least 2.4 million children above the poverty line each year without creating any new bureaucracies.

Because the EITC is available only to those with jobs, it has moved more welfare recipients into the workforce. According to one national study, expansion of the EITC is responsible for a 16 percent decline in welfare use.<sup>9</sup>

Colorado offers a small EITC, but only when there is a TABOR surplus – which we haven’t had since 2001 and won’t have again until at least 2010.<sup>10</sup> Because it is not available every year means families cannot plan on it and face hardships when it goes away.

### ✓ Cut taxes for our lowest-paid working families by expanding the state EITC.

Colorado should increase its EITC from 10 percent to at least 20 percent of the federal credit. And it should make the credit available in all years, not just when there is a TABOR surplus.



For more information, go to Blueprint Brief No. 6, “Expand the Colorado Earned Income Tax Credit.”

**Finally, unintended consequences** of some programs and policies interact to actually punish families as they climb the economic ladder toward self-sufficiency. When people start to earn more, they sometimes abruptly lose public benefits that are worth more than they have gained through increased wages.

This is appropriately called the “cliff effect.” It usually happens with assistance programs that have rigid, all-or-nothing eligibility rules that say, for instance, a family no longer qualifies for a program when it earns above a set amount.

As a result, sometimes the most rational decision for a worker is to turn down a promotion or a raise to avoid losing Medicaid or some other valuable benefit.

This has to change. A family should never lose more than it gains because it is trying to get ahead.

The cliff effect results from complex interactions among programs and laws, and there is no single solution. But a comprehensive solution that takes these interactions into account can be designed so families are rewarded, not punished, for working their way up the economic ladder.

### ✓ Eliminate the “cliff effect” of policies that inadvertently punish families for increasing their earnings.

**The next governor and legislature should commit to eliminating the cliff effect from all state programs.** They should review all the programs and laws involved and the interactions among them, and implement a comprehensive solution as soon as possible.

A key component should be a sliding eligibility scale that gradually phases out benefits so a family never loses more than it gains when its income increases.



For more information, go to Blueprint Brief No. 7, “The Cliff Effect: A barrier to economic well-being and opportunity.”

## Make family necessities more accessible and affordable

Even if the lowest paid workers earn more – and keep more of what they earn – they will still face huge challenges making ends meet.

The cost of basic necessities frequently outstrips the earning power of many workers. Housing for a family with two children exceeds \$500 a month in rural Colorado, averages between \$700 and \$1,000 a month in most urban areas, and approaches \$1,200 a month in the most expensive counties.

Quality child care for a family with two children regularly exceeds \$1,000 per month in most parts of Colorado. And health care for a family with two children averages more than \$250 a month – assuming the family has insurance through an employer who pays most of the premium. If not, the costs are much higher, especially if a family member gets sick.<sup>11</sup>

Add to that other necessities like food and utilities, and it becomes difficult for these workers to take even the first step out of poverty and toward self-sufficiency.

We can keep housing, child care and health care more affordable for working families, and it is in everyone's interest to do so.

**First, we should ensure an adequate balance of housing** throughout Colorado so people can live in or near the communities where they work. Many low-wage workers commute an hour or more each way between housing they can afford and the jobs they need.

People who live in one community and work in another are more likely to change jobs or move frequently. Because commuting eats up so much time and work hours are spent far from home, they are less engaged in their community and less involved in their children's lives and schools. Frequent moves means kids miss the continuity of learning at one school.

In resort areas, finding a balance between housing costs and commuting is a major challenge for almost all workers. In these communities, even high-paid workers struggle to afford modest housing or settle for longer commutes.

We should help owners preserve existing affordable housing and help builders produce new affordable housing. And we should make it easier for families to find and obtain these units in the communities where they work – as renters or first-time buyers.

Housing trust funds, supported by both public and private resources, have been effective tools in other states. These funds are good for the economy and for working families. But Colorado is one of 12 states that provide no support for a housing trust fund.<sup>17</sup>

According to the Colorado Housing Investment Fund Coalition, a state trust with \$26.5 million in annual funding could help 3,330 very-low, low, and moderate income households find decent rental housing and home ownership opportunities each year, while creating thousands of jobs, stimulating millions in economic activity and generating significant state and local tax revenues.<sup>18</sup>



### How affordable is housing in Colorado?

**\$16.64:** The hourly wage needed for a full-time worker in Colorado to afford a two-bedroom unit at a fair market price in 2003.<sup>12</sup>

**9th:** Colorado's national ranking among the least affordable states for wages needed to rent a two-bedroom unit at a fair market rate in 2004.<sup>13</sup>

**66:** Percent of renting households in Colorado earning less than \$35,000 a year that paid 30 percent or more of their income on rent in 2004.<sup>14</sup>

**7th:** Colorado's rank for highest rate of residents paying 30 percent or more of their income on rent in 2004.<sup>15</sup>

**32:** The percentage rate that home prices in Colorado outpaced income growth over the last decade.<sup>16</sup>

## 2. Helping families get ahead and join the middle class

### ✓ Use a housing trust fund to increase affordable housing.

Colorado should work with federal, local and private partners, and it should greatly increase its own investment so Colorado's housing trust fund can provide a level of assistance that will truly make a difference for low and moderate-income families seeking affordable housing. Ultimately, the state government and its partners should collectively provide at least \$25 million annually to the fund.



For more information, go to Blueprint Brief No. 8, "Using a housing trust to increase affordable housing."

**Quality child care is essential for many working parents**, including those who have entered the work force because of changes in welfare or have returned to school to upgrade their skills.

Our national policy is to encourage work rather than welfare. We want adults to be productive contributors to the economy. But their children must come first. Parents who cannot find or afford quality child care will be less stable and productive employees, and their children may not get the care and attention necessary to be prepared for school.

Colorado's child care services are strained and under-funded. Families that are working their way out of poverty and into the middle class need access to safe and affordable child care, and we need to make sure the child care they can afford is of high quality.

Colorado has a state child care tax credit that fluctuates based on family income. As with the state Earned Income Tax Credit, it is only available in years when there is a TABOR surplus – which we haven't had since 2001 and won't have again until at least 2010.<sup>19</sup> Further, the credit amount depends on how much TABOR surplus the state has in a given year.

### ✓ Make sure working parents have access to quality child care they can afford.

Colorado should increase its Child Care Tax Credit, and it should make the credit available in all years, not just when there is a TABOR surplus. It also should extend the credit to families with disabled dependents of any age.

Families should be able to claim the full credit amount at the state level even if they didn't have the tax liability to claim the full amount on their federal taxes.

To improve child care quality, the state should work with counties to pay market rates to child care providers and offer incentives to those who participate in quality initiatives. The legislature should pass a bill similar to HB06-1397, which Gov. Owens vetoed in 2006, to expand local early childhood councils to streamline costs while increasing availability, accessibility and quality of these services.



For more information, go to Blueprint Brief No. 9, "Give working parents affordable child care."



## The Self-Sufficiency Standard in Colorado: a better way to measure the true cost of living

A critical milestone on the way to the middle class is when a family can meet all its own basic needs without relying on public or private assistance. This is what we mean by self-sufficiency, and helping families reach it should be a priority.

The traditional measure of economic well-being, the federal poverty level, is hopelessly outdated. It is calculated based on the cost of food and adjusted for inflation, but does not consider differences in family size, composition or geographic location.

In contrast, the Self-Sufficiency Standard is a carefully researched tool adapted to each of Colorado's 64 counties by the Colorado Fiscal Policy Institute. The standard measures how much income a family needs to meet all its basic needs, including housing, transportation, health care, child care and food. It also recognizes that a family's needs can vary significantly depending on factors such as the age of the children or where the family lives.

Relying on the federal poverty level to assess a family's needs is inadequate. Consider that the federal poverty level in 2006 is \$16,600 for a family of three – whether that is a family of two adults and one teenager living in rural Mississippi or a single mother with two preschoolers living in New York City.

But the Self-Sufficiency Standard for a single parent with two children (one in preschool and one in school) in Denver is \$44,991 per year, 2.7 times the federal poverty level for that family. The same family in Alamosa County needs \$28,266 to be self-sufficient, 1.7 times the federal poverty level. In Eagle County that family needs \$38,695, almost 2.4 times the federal poverty level.

By the federal poverty level standard, about 10 percent of Colorado families don't have enough income to meet their needs. By the Self-Sufficiency Standard, about 30 percent of Colorado families fall short financially.

The difference between these two standards helps explain why many of our past policies, while reducing poverty, have not moved more people into the middle class. For instance, if we were to base our policies on the old goal of lifting people above the federal poverty level, we would conclude our family of three could do

just fine on an income of little more than \$8 an hour, in Denver, Alamosa or Eagle County. Jobs that pay at that level, which is well above the minimum wage, are within reach of the average high school graduate anywhere in Colorado.

But the Self-Sufficiency Standard tells us that even if we lift that family above the poverty level, it still will be less than half way to self-sufficiency. That means it will continue to struggle to make ends meet, and will have to rely on public or private assistance or go without some basic need (such as health insurance or auto insurance).

To reach self sufficiency, the family would need to earn more than \$14 an hour in Alamosa, more than \$19 an hour in Eagle County, and nearly \$22.50 an hour in Denver. Jobs that pay at that level are out of reach for many workers who do not have at least an associate's degree. In fact, it isn't until one has a bachelor's degree that the average worker will make near what is required for a family to be self-sufficient in Eagle or Denver counties.

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



**For more information, read a special brief from the Colorado Fiscal Policy Institute, "The Self-Sufficiency Standard for Colorado: A New Measure of Family Well-Being."**

## 2. Helping families get ahead and join the middle class

Finally, we can help reduce the strain of skyrocketing health care costs or a lack of health insurance.

**More than 750,000 Coloradans do not have health insurance.** And while this largely reflects a national problem, there are things the state can do – starting with shoring up the safety net and public health systems.

Medicaid is the main health program serving low-income families. Colorado’s Medicaid program provides relatively good coverage – but only for those who qualify. The problem is that far too few qualify.

Colorado’s eligibility requirements are among the toughest in the nation, and its reimbursement rates are so low that no HMO participates in the program anymore and fewer and fewer private practitioners do either.

Because Medicaid eligibility is so limited, thousands of low-income working families have no option for care other than overburdened community health centers, local health departments, rural and specialty clinics, and public and private hospitals – providers that have other important missions such as trauma care, immunizations, disease prevention, and, in the post-9/11 world, national security responsibilities.

Nor do we save ourselves money when we cut these services. People who can’t pay to see a doctor often wait until inexpensive problems develop into expensive problems – and then they show up in emergency rooms, which cost much more than seeing a doctor when the problem starts. In the meantime, they are likely to be less productive at work and may risk the health of co-workers.

This is as true for those with mental illness as it is for those with physical illness. When people can’t get mental health or substance abuse services, they often end up in costly emergency rooms or, worse yet, on the street or in jail.

### ✓ Strengthen the health care safety net.

The next governor and legislature should thoroughly review eligibility levels and reimbursement rates for Colorado’s health care programs to ensure more families benefit from health programs as they work toward self-sufficiency.

They should also look for opportunities to streamline the way health care is organized, delivered and financed to improve the efficiency and effectiveness of the entire health care system.

Colorado should also increase its outreach and public awareness campaigns to make sure more people who are eligible for Medicaid or the Child Health Plan Plus (CHP+) actually enroll.

And we should increase funding to local public health departments so they can continue to provide immunizations and prenatal care, monitor communicable diseases and help provide visiting nurse services.



For more information, go to Blueprint Brief No. 10, “A shared responsibility: State and federal funding for local public health departments.”



### Added resources:

- *Colorado Medicaid: A Primer*
- *Profile of the Uninsured in Colorado, 2004*

Two special reports from the Colorado Health Institute, an independent, nonpartisan organization studying health care issues.

**We also should dedicate additional resources to the Colorado Indigent Care Program (CICP).** While not a health insurance program like Medicaid or the Child Health Plan Plus, it is an important part of the health care safety net in Colorado.

CICP partially reimburses medical providers for health care to low-income Coloradans who do not qualify for assistance programs but can't afford to pay for health care.

In 2006, the legislature used Referendum C money to create the Colorado Health Services Fund to expand CICP so it can cover services to more Coloradans.

✓ **Extend access to health care for more low-income, uninsured and under-served people.**

**We should continue to dedicate more resources to the Colorado Indigent Care Program to expand community-based health care. If the Colorado Health Care Services Fund proves effective, the legislature should increase funding to expand coverage to more Coloradans who need it.**



**For more information, read Blueprint Brief No. 11, “Colorado Indigent Care Program helps more low-income adults access primary health care services.”**

## 2. Helping families get ahead and join the middle class

### Give families the tools they need to save and build wealth

We can help families earn more and keep more of what they earn. And we can help keep basic necessities affordable. But our biggest challenge in helping families get ahead may be to design policies that acknowledge the critical role of personal savings as a family climbs toward the middle class.

When a family stops living paycheck to paycheck and starts building a personal safety net and saving for the future, it takes a major and often permanent step toward achieving the American Dream.

State and federal governments already use tax policies to encourage asset accumulation. But of the \$335 billion a year in federal tax incentives that encourage home ownership, retirement savings and investments, only 5 percent goes to the lowest 60 percent of earners.<sup>20</sup>

Saving is harder for low-paid workers, and not just because they don't earn much money. Low-income neighborhoods have plenty of high-interest check cashing and same-day loan outlets, but few traditional banks or credit unions. And banks often require minimum starting deposits and balances.

As a result, many low-paid workers are “un-banked.” They live in a cash economy where it is difficult to save, accumulate assets and build wealth. To help more families move into the middle class, we must help them enter the financial mainstream, avoid unreasonable debt, increase savings and build wealth.

We should take three specific steps to help working families increase savings and build wealth: expand Individual Development Account programs statewide, create a state authority to help low-wealth families start small businesses, and strengthen state laws against predatory lending practices.

**Individual Development Accounts** (IDAs) are savings accounts tailored to the needs of low-income families, and they are a proven way to help families begin to save.

Through an IDA, a low-income worker's monthly savings are matched by public and private sources. The matched savings can be used only to buy a home, start a small business or pay for college or job training.

IDAs create a culture of saving among those who need it the most. Monthly contributions may be modest, but with a match, the discipline of saving pays off.

An important part of IDA programs is financial education. Each saver is coached in money management and basic principles of



### Family savings and building wealth

**25:** Percent of all households in Colorado in asset poverty in 2004, meaning they could not subsist at the federal poverty level for three months without employment.<sup>21</sup>

**43:** Percent of minority households in Colorado in asset poverty in 2004.<sup>21</sup>

**\$140,700:** Median net worth of white households nationally in 2004.<sup>22</sup>

**\$24,800:** Median net worth of minority households nationally in 2004.<sup>22</sup>

**4 to 1:** Income ratio between the middle 20 percent and the lowest 20 percent of earners in 2004.<sup>23</sup>

**9.5 to 1:** Net worth ratio between the middle 20 percent and the lowest 20 percent of earners in 2004.<sup>23</sup>

**96:** Percent of white families with at least one bank account in 2004.<sup>22</sup>

**81:** Percent of minority families with at least one bank account in 2004.<sup>22</sup>

**73:** Percent of white households owning their own homes in Colorado in 2003.<sup>21</sup>

**52:** Percent of minority households owning their own homes in Colorado in 2003.<sup>21</sup>

finance. This helps families avoid predatory lending, learn how to repair their credit ratings, find low-interest loans and navigate the home-buying and small business markets.

Colorado has an IDA program in the form of a tax credit, but the state government contributes no matching money. As with the EITC and child care credit, the IDA donation credit is available only if there is a TABOR surplus, which Colorado has not had since 2001 and will not have until at least 2010. This program deserves support every year, not just if there happens to be a TABOR surplus.

The Mile High United Way administers a limited IDA program in Denver, Boulder and Colorado Springs. It is primarily funded through federal grants and private donations. Since 1999, more than 500 families have or are successfully saving for a home, education or business venture. This program is a success story, and it should be offered statewide.

✓ **Encourage savings through Individual Development Accounts and financial training.**

**The state should contribute at least \$1 million each year to create a statewide IDA program. That would help double the number of low-income families that can participate in an IDA program. It also should make the tax credit permanent for those who contribute matching funds to IDA programs.**



For more detail on this recommendation, read Issue Brief No. 2, “Individual Development Accounts: Helping Low-Income Families Develop Assets,” with information on the IDA programs offered through Mile High United Way in Denver, Boulder and Colorado Springs.

**Nothing embodies the American Dream more than starting and running your own business**, and for many families it can be a rewarding pathway to the middle class.

Small business is the backbone of Colorado’s economy. But many small business entrepreneurs lack access to capital or practical advice on how to succeed. Those who want to start micro-enterprises — an owner and one to four employees — frequently have trouble getting financing from traditional commercial lenders and often must look for alternative funding, which can include an IDA.

One in five Colorado workers owns or works for a micro-enterprise.<sup>24</sup> Most owners are women; many are single parents or minorities. By investing in their dreams, we can expand our economy, strengthen our communities and help more families become self-sufficient.

States supporting micro-enterprise development find a small investment goes a long way in creating new businesses and jobs. The Nebraska Micro-enterprise Partnership Fund parlayed \$227,750 in state funds into a \$4 million program that created or retained 4,400 jobs across the state since 1997.<sup>25</sup>

The Colorado Legislature has explored the idea of a state entity to support micro-enterprise development, and a recent survey found most micro-business owners would endorse such an entity.<sup>26</sup>

✓ **Help low-wealth Coloradans create small businesses.**

The legislature should create and fund a state micro-enterprise development authority to award grants to qualifying organizations, leverage additional funding sources, and be an information network and state advocate for micro-enterprise organizations and micro-business owners.



For more information, go to Blueprint Brief No. 12, “Micro-enterprise development in Colorado.”

## 2. Helping families get ahead and join the middle class

While we help families build wealth and start businesses, we should give them the tools to protect that wealth from unscrupulous and predatory lenders. The financial education component of the IDA program is one tool to help families become informed consumers.

**Predatory lenders prey on unsophisticated borrowers** and those with limited financial resources who have few options when it comes to borrowing. Colorado has the highest mortgage foreclosure rate in the nation, due in part to aggressive lending practices and lax consumer protections. Payday lenders often charge annualized interest rates of more than 400 percent, trapping families in a cycle of debt.

Military families are disproportionately targeted by predatory lenders. The Center for Responsible Lending (CRL), based in North Carolina, reported that in 2004, one in five active-duty military personnel were payday borrowers. The center noted that military personnel were three times more likely than civilians to take payday loans.<sup>27</sup>

A CRL study in 2001 showed predatory mortgage lending cost Colorado families \$306 million each year,<sup>28</sup> while a new CRL study shows payday loans cost Coloradans \$158 million each year.<sup>29</sup>

Evidence from North Carolina, which has one of the strongest laws against predatory lending, shows consumers saved \$100 million in the law's first year, while still providing access to capital for low-wealth borrowers.<sup>30</sup> Colorado began regulating payday lending in 2000 and restricted predatory mortgage lending starting in 2002. But these laws offer minimal protections and need to be strengthened.

In 2006, the legislature also passed three new laws to regulate the mortgage lending industry. These bills:

- Require mortgage brokers to register with the state, pass an FBI background check and post a \$25,000 bond. (HB06-1161)
- Prohibit unethical or deceptive practices by foreclosure consultants or purchasers and provide more information to sellers. (SB06-071)
- Impose a stiff fine for mortgage fraud and bar plea bargains that don't include restitution for victims. (HB06-1323)

It is too early to know whether these new laws will be any more effective than those for payday lending and predatory mortgage lending. We need to closely monitor their implementation.

### ✓ Crack down on predatory lending.

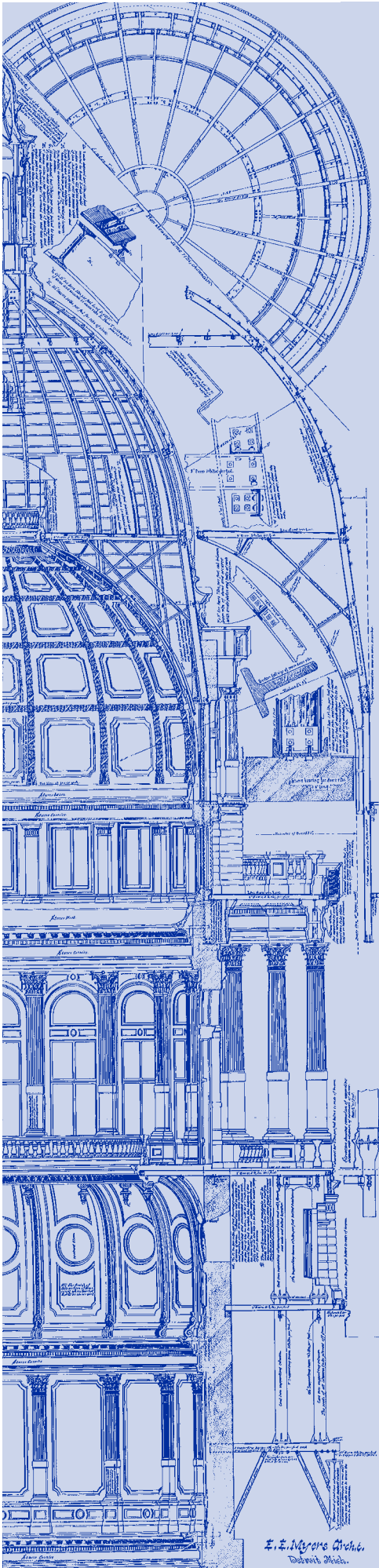
**The Legislature should review Colorado's current laws that regulate the payday lending industry and limit predatory mortgage lending, with the goal of strengthening both statutes.**

**We should adopt stricter standards for payday lenders, including capping finance charges, prohibiting borrowing from one payday lender to pay off another, and eliminating special protections for payday lenders.**

**Colorado also should adopt provisions from the North Carolina law to protect families that buy or refinance their homes. These provisions ban prepayment penalties on loans of less than \$150,000, ban financing fees through high-cost loans, and require borrowers to use financial counseling.**



For more information, go to Blueprint Brief No. 13, "Protect Colorado consumers from predatory lending."



There is nothing unique about a policy agenda that includes improving education and helping low-income families. Specific challenges change with time, but those basic goals have always been a priority for most Americans.

What is unique about these times is the uncertainty many middle class families now face. The phrase “middle class” used to be almost synonymous with “economic stability” – get a good job at a good company, buy a house in a good neighborhood and live the American Dream.

Times have changed, the rules of the economy have changed, and middle class families face new challenges. Rising health care, energy and tuition costs, growing debt and foreclosure rates, and shrinking pensions and retirement plans haunt too many families who now feel they are on their own to navigate the global economy.

They shouldn’t be on their own. One of our top priorities must be to confront the realities of the new economy together, not alone. Families and businesses have to adapt. To keep prosperity and the American Dream alive, government must adapt as well. Our goal must be to bring more economic stability to middle class families in uncertain times.

To do that, we must restructure the systems that worked in the old economy but are failing us in the new economy. That means restructuring our education system so all our kids can prosper in the new economy and adults can retool and upgrade their skills when necessary. It means restructuring our health care system so access to basic, affordable health services is a right, not a luxury. It means restructuring how we plan for retirement so pensions and retirement plans are once again dependable and not subject to changing corporate strategies. And it means making strategic investments in the jobs and infrastructure that underpin a competitive economy.

# 3. Helping middle class families stay ahead

## **Colorado can restructure its education system for the 21st Century by:**

- ✓ Making sure our kids are prepared to compete and prosper in a global economy (see Chapter 1).
- ✓ Expanding adult education opportunities.

## **We can ensure Colorado families can afford the health care they need by:**

- ✓ Getting serious about comprehensive health care reform.
- ✓ Helping small businesses provide health insurance coverage for their employees.
- ✓ Making sure workers can take health care coverage with them when they change or lose jobs.

## **We can help renew the promise of secure pensions and retirement plans by:**

- ✓ Encouraging Colorado employers to automatically enroll their workers in 401(k) pension plans.
- ✓ Creating portable Colorado Voluntary Pension Accounts to make it easier for small employers to offer pension plans.
- ✓ Ensuring that Colorado's Public Employees Retirement Association is financially sound.

## **We can make strategic investments in the jobs and infrastructure that underpin a competitive economy by:**

- ✓ Ensuring our economic development strategies reward creation of jobs that help families get ahead and stay ahead.
- ✓ Making strategic investments in clean and renewable energy development and conservation.
- ✓ Expanding broadband capacity throughout the state.

## Restructure the education system for the 21st Century.

The universal right to a free public education through the 12th grade is the single most powerful engine of economic growth and social mobility in our history, and that is as true today as it has ever been.

Chapter 1 focuses on making sure our kids can prosper in the 21st Century by improving education in Colorado. But this issue is so central to our goal of helping families stay ahead that it bears discussion here as well.

The uncertainty families feel about the future is reflected in how they look at education. Are their kids learning what they need to learn? Can they afford to send their kids to college? As adults, will they have opportunities to upgrade their own knowledge and skills to keep pace in a rapidly changing economy?

In Chapter 1, we offer nine recommendations in response to these concerns, including raising performance levels for all kids, expanding options within the system and keeping college affordable for working families.



### Adult basic education in Colorado

**328,000:** Colorado adults without high school degrees in 2005.<sup>1</sup>

**15,011:** Coloradans enrolled in Adult Education and Family Literacy Act programs, 2005.<sup>2</sup>

**4.6:** Percent of Colorado adults without high school degrees enrolled in adult education programs in 2005.

**8:** Percent of unemployed Colorado adults without high school degrees enrolled in adult education programs in 2003.<sup>3</sup>

**\$200,000:** Total state funds appropriated to adult education and family literacy for fiscal year 2006-07.<sup>4</sup>

Here we add one more recommendation related to adult education. With a highly skilled and adaptable workforce, Colorado will be better prepared to compete in the 21st Century.

We cannot guarantee jobs will be available or workers will have lifetime employment. But by investing in adult education, we can help more low-income workers join the middle class, and we can help more middle class workers compete for the promising jobs of the future.

Adult education programs can help dropouts earn high school degrees, immigrants learn English, and parents become more literate so they can help their kids in school. And through our community college system we can help workers hone existing skills, learn new skills, keep pace with changing technology and take courses leading to college degrees.

Colorado invests only a minimal amount of state funds in adult basic education. Until the legislature appropriated \$200,000 to the Family Literacy Education Fund in 2006, Colorado was one of a small minority of states that invested no funds at all in adult basic education and training resources, relying instead on federal funds, grants and donations.

### ✓ Expand adult education opportunities

**The legislature should significantly increase state support for adult basic education by appropriating at least \$1 million each year to match the state's federal grant and to expand and improve basic services. This investment will help more adults get GEDs, learn English and become literate.**

**We should also make additional strategic investments in community colleges and vocational educational institutions so all Coloradans have access to affordable training to expand and update their job skills and take courses leading to college degrees.**

### 3. Helping middle class families stay ahead

#### Ensure families can afford the health care they need.

Few things are as unsettling as the prospect of facing an illness or major medical expense without the benefit of health insurance. Yet for more and more middle class families today, that prospect is very real.

It's time to tell the truth. In terms of access and affordability, the American health care system is among the worst in the industrialized world. In Colorado, the percentage of working adults who don't have health insurance is among the highest in the nation.

The American health care system needs comprehensive reform. That is best done at the national level, and we need to press our elected representatives in Washington, D.C., to make it a priority. At the state level, we should work toward providing all Coloradans access to a core set of health care services, regardless of income.

But until we have comprehensive reform, either at the state or national level, we must continue to rely on employers as the primary source of health insurance for middle class families. So we must shore up that employer-based system now by making it more affordable, especially for small businesses, and by making sure people can keep their coverage when they change jobs.

**A great many ideas are on the table for how to overhaul health care system at the national and state levels.** And there is plenty of data to make informed decisions. Now we need to expand public discussion, build consensus and forge the political will to adopt a workable solution.

At the federal level, one promising effort is the Citizens' Health Care Working Group, created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This working group engaged a broad cross section of the public in 15 months of hearings, community meetings, public opinion polls and citizen responses. It released an interim report this year with recommendations for broad-based national reform.<sup>5</sup>

And in 2006, the Colorado legislature created a health care reform committee to identify reforms that would expand coverage and reduce costs. The next governor and legislature should build on these efforts and work toward comprehensive reform.

#### ✓ Get serious about comprehensive health care reform.

**Colorado's next governor and legislature should commit to taking the necessary actions to reform our health care system so all Coloradans have access to a core set of affordable, quality health care services. We should identify the most promising ideas for improving our health care system and put them into action.**



For more information, go to Blueprint Brief No. 14, "Interim Recommendations from the Citizens' Health Care Reform Committee, 2006."



For more information, go to Blueprint Brief No. 15, "Update on Colorado health care reform efforts."



Added resource:

- *Profile of the Working Uninsured in Colorado*

A special report from the Colorado Health Institute, an independent, nonpartisan organization studying health care issues.

**Small businesses often struggle the most to provide health benefits to employees.** Until there is comprehensive reform, we need to make sure the existing employer-based system continues to serve as many Colorado families as possible.

Colorado already requires insurance companies to offer low-cost health plans to small businesses. This year, the legislature renewed that requirement and defined a standard health benefit. This helps more small employers and individuals get at least basic health coverage.

Colorado should also restrict insurers from setting premiums for small businesses based on the health of employees, an approach called “group rating.” At first glance, it may make sense to base insurance premiums on factors such as smoking, general health, claims history and workplace and job characteristics. But this means rates for a small business can go up significantly because of one or two employees, and rates can vary greatly from business to business.

This puts small businesses at a disadvantage in providing affordable health benefits for all their employees, and forces some to drop coverage entirely. It also allows insurance companies to favor the businesses with younger and healthier employees while pricing some with older and less-healthy employees out of the market.

Instead, the state should insist that insurance companies use what is called “community rating.” This approach bases premiums on the pooled health factors of a larger community. It spreads the risk broadly and reduces the differential in premiums, helping more businesses cover more employees.

Community rating is more consistent with the true purpose of insurance, which is to share risks broadly so no one suffers catastrophic financial consequences. And with more people covered, such a system reduces the strain on publicly funded health programs.

✓ **Help small businesses provide health insurance coverage for their employees.**

**We should continue to require insurance companies to offer small employers and individuals low-cost health insurance policies that provide basic services and protect families from excessive medical expenses.**

**We also should establish a system for small employer risk pool purchasing. The idea is to allow small businesses to join together, pool risk and leverage purchasing power like larger businesses are able to do. This is a form of community rating that will spread costs, moderate premiums and expand coverage to more Colorado families.**



For more information, go to **Blueprint Brief No. 16, “Bar the ‘group ratings’ approach to setting health insurance premiums.”**



**Added resource:**

• ***The Small Group Health Insurance Market in Colorado, 2004***

**A special report from the Colorado Health Institute, an independent, nonpartisan organization studying health care issues.**

### 3. Helping middle class families stay ahead

**People who change or lose jobs should be able to take their health care coverage with them.** Federal law allows workers to extend their health insurance coverage for a limited time after they leave a job through a mechanism commonly called COBRA.<sup>6</sup>

The problem is that the former employee pays the full cost of the coverage, and without the employer subsidy the price is often prohibitive.

✓ **Make sure workers can take health care coverage with them when they change or lose jobs.**

**We need to find ways to bring down the cost of coverage between jobs so that more middle class families can afford to continue coverage when they leave a job.**

**One approach may be to make Colorado's health care tax credit permanent and refundable, so workers can recover some of the costs of retaining health coverage between jobs. Currently the credit is available only in years when there is a TABOR surplus.**

## Renew the promise of secure pensions and retirement plans.

The promise of a secure retirement and having resources to pass on to future generations has been a pillar of the American Dream. It used to be you went to work for a company, stayed there for most of your career and retired with a company pension.

In terms of retirement security, this was one leg of a solid, three-legged stool. The other legs were Social Security and personal savings. Together, these three legs helped seniors stay in the middle class throughout their retirement and pass resources on to their kids.

So a troubling trend is the dramatic failure of pension funds we once thought were solid.

We saw this in Colorado with the United Airlines bankruptcy. Longtime employees found their retirement income slashed almost overnight.

The nature of company pensions has changed as well. It used to be an employee was automatically signed up, and when he retired, the company paid a set benefit based on length of service and level of earnings. This is called a “defined benefit” plan, and 25 years ago, 60 percent of pension plans were of this type.<sup>12</sup>

Times have changed. Few workers stay with the same company through their working lives, and few companies still offer defined benefit plans. By 2001, only 10 percent of company plans were of the defined benefit type.<sup>13</sup> If a company offers a plan today, it is most likely a “defined contribution” plan, such as a 401(k).

The defined contribution approach requires the worker to sign up, designate an amount to be deducted from each paycheck and decide how these funds will be invested. While companies usually match all or part of worker contributions, the actual benefit the worker receives in retirement depends on how much the worker saved over the years and the rate of return on investments the worker chose.

Even when employers offer defined contribution plans, not all workers choose to participate. Inertia often keeps workers from signing up for pension plans, particularly if they are faced with complicated investment choices. This is particularly true for low-wage and minority workers, who also may feel they cannot afford the regular deduction.

But research shows that if businesses automatically enroll workers in defined contribution pension plans, with an option to pull out, the number who participate increases, particularly among minorities and those who earn low wages. In one study, automatic enrollment increased participation from 13 to 80 percent for employees earning \$20,000 or less a year, and from 19 to 75 percent for Hispanic employees.<sup>14</sup>



### Retirement security in Colorado

**406,090:** Number of retired Coloradans and their dependents receiving Social Security checks in 2004, for a total value of \$326 million (latest information available).<sup>7</sup>

**505,300:** Number of Coloradans who will reach retirement age in the next 25 years.<sup>8</sup>

**6.7:** Number of working age Coloradans for every person of retirement age in 2004.<sup>9</sup>

**3.3:** Projected number of working age Coloradans for every person of retirement age in 2030.<sup>9</sup>

**1.4 million:** The number of Colorado workers not covered by a pension plan at work. This represents 58 percent of our workers.<sup>10</sup>

**4,200:** Colorado retirees receiving benefits under “failed” pension plans being paid by the Pension Benefit Guaranty Corporation in 2004. They receive a total of \$27.7 million annually in retirement benefits. (This does not include the United Airlines plan.)<sup>10</sup>

**377,000:** Current and future Colorado public sector retirees who count on the Public Employees Retirement Association (PERA) for retirement benefits.<sup>11</sup>

### 3. Helping middle class families stay ahead

#### ✓ Encourage Colorado employers to automatically enroll workers in 401(k) pension plans.

Colorado's political, business and community leaders should encourage employers to use automatic enrollment for 401(k) pension plans. We should also educate workers about the value of participating in these plans and of increasing contributions over time to meet retirement needs.

Automatic enrollment is allowed under federal law, and pension reform legislation passed by Congress in August provides additional incentives to do so.



For more information, go to Blueprint Brief No. 17, "Encourage Colorado employers to automatically enroll workers in pension plans."

**Some companies offer no pension plans to their workers.** Surveys of small businesses show that the cost and complexity of providing pension plans for their employees is a major reason many do not offer them.

Nationally, businesses without pension plans tend to be small, employing fewer than 100, and rural, according to the U.S. Department of Labor. The intermountain West has a lower rate of providing pensions than the country as a whole.

Because many Coloradans work in small businesses, expanding the number that offer pensions, even if they do not match employee contributions, will help increase the number of workers regularly saving for retirement.

The state government can help reduce the costs and complexity by creating voluntary pension accounts. The state can create the basic infrastructure that small employers could use to provide pension plans. Employers could match workers' contributions, but would not be required to do so.

The accounts would be portable as workers move from job to job within Colorado. Unlike Individual Retirement Accounts, they could be opened with investments deducted every payday, making it easier for workers to save.

#### ✓ Create Colorado Voluntary Pension Accounts.

The legislature should create Colorado Voluntary Pension Accounts to provide access to retirement plans for all Coloradans. These plans would reduce the cost and complexity of offering pension plans for small employers and would be portable, allowing workers to contribute to the same account from each job they hold in Colorado.



For more information, go to Blueprint Brief No. 18, "Create Colorado Voluntary Pension Accounts."

**The Public Employees Retirement Association (PERA)** is the pension plan for 377,000 teachers, and state and local government employees in Colorado. Most are not covered by Social Security. At the end of 2004, PERA had \$11.3 billion in unfunded liabilities, and some estimates showed the plan would be insolvent by 2035.

As with any large employer that offers a pension plan, Colorado has a moral obligation to ensure PERA pays the retirement benefits promised to these workers. In 2006, the legislature took action to strengthen the financial soundness of PERA (SB06-235). We need to make sure those steps solve the problem. If they don't, we should take further action to keep PERA solvent.

#### ✓ Ensure PERA is financially sound.

The state should continue to closely monitor the financial soundness of the PERA system and take the necessary action to ensure that it is able to make good on the benefits promised to public employees.

## Make strategic investments in the jobs and infrastructure that underpin a competitive economy.

Of course, the best way to help middle class families stay ahead in the new economy is to create and maintain the kind of jobs middle class families can live on.

There is a right way and a wrong way to try to do this. The wrong way is to chase after any company that promises to create jobs, regardless of quality or long-term commitment to the community. The right way is to make investments that improve our quality of life and provide the workforce and infrastructure companies need to compete.

In a real sense, this entire Blueprint is a long-term economic development strategy. Business leaders tell us investments that promote opportunity – good schools, accessible and affordable colleges and universities, well maintained roads and other infrastructure – are the kind of investments they look for when making decisions about their future.

Colorado is lucky to already have many attributes businesses look for – including a skilled workforce, high quality of life and access to universities and research institutions. Colorado has seldom had to lure companies with lavish tax breaks or excessive giveaways – which allow companies to play taxpayers in one state off taxpayers in another state, but fail to promote long-term prosperity.

Still, Colorado does offer loans, grants, customized training and selected tax breaks to promote economic development. Done carefully and thoughtfully, these strategies can further improve opportunities in Colorado and promote economic growth.

✓ **Ensure our economic development strategies reward creation of jobs that help families get ahead and stay ahead.**

**Colorado should continue to carefully target economic development incentives to create jobs that pay self-sufficient wages, provide health insurance and retirement**

**benefits, and contribute to the overall economic well-being of the state. The state would be wise to focus on the 11 industry sectors identified in the Denver Metro Chamber of Commerce report, *Business for a Competitive Colorado*.**

**Let's also make sure economic development incentives continue to be transparent, so we know which businesses receive incentives, how much they get, and how many and what kind of jobs they create. And let's protect taxpayers by continuing to require companies to repay incentives if they fail to create the jobs promised.**



**For more information, go to Blueprint Brief No. 19, "Focus economic development on creating jobs that pay enough for families to get ahead."**

**The need to reduce our dependence on foreign oil and develop clean, renewable energy sources is a strategic opportunity for Colorado.** Just as mining and fossil fuels helped propel Colorado's economy in the 19th and 20th centuries, clean and renewable energy sources and technologies can help propel our economy in the 21st Century.

Colorado is already well positioned as a leader in renewable energy research, with world-class institutions and universities already doing cutting edge work.

The legislature started to build on this capacity by creating the Renewable Energy Authority and appropriating \$2 million for each of the next three years to fund a collaborative among Colorado State University, Colorado School of Mines, the University of Colorado and the National Renewable Energy Laboratory. The money will be used to help this group land federal and private research grants.

### 3. Helping middle class families stay ahead

Increased production of renewable energy will boost rural economies. Producing crops for ethanol and biodiesel will help farmers, and profits from wind farms will flow to farmers, ranchers and small towns in rural counties. Amendment 37, which passed in 2004 and requires Colorado utilities to draw at least 10 percent of their electricity from renewable sources by 2015, is also helping drive research and development on renewable energy.

No wonder the Denver Metro Chamber of Commerce identified energy as one of five industry clusters targeted for growth.

A 2005 report for the Western Governors' Association analyzed the role renewable energy technologies and conservation can play in the West's energy future. It concluded the benefits of clean energy depend less on jumps in technology than on sustained federal and state policies that support their development and use.<sup>15</sup>

#### ✓ **Make strategic investments in clean and renewable energy development and conservation.**

**State government can lead the way by insisting that all state buildings, whether state-owned or leased, meet the highest standards for energy efficiency. State government should also convert its fleet to alternative fuel and hybrid vehicles as quickly as possible.**

Continued state investments in the Renewable Energy Authority can expand Colorado's leading role as a source of renewable energy research and development. The Office of Economic Development should also target more of its grant and loan portfolio toward projects that promote renewable energy technologies.



For more information, go to Blueprint Brief No. 20, "Make strategic investments in clean energy technology and conservation."

**Fast and easy access to the Internet is critical** to helping Coloradans compete in the new economy. With the right tools, a small business can market its products and services anywhere in the world. With access to high-speed Internet service, residents of even the most remote parts of Colorado can access information, services and products almost as easily as someone in downtown Denver.

Colorado is behind in wiring its rural communities, and we need to catch up.

In 2000, Colorado launched a public-private partnership with Qwest Communications Inc. to build a high speed fiber optic network (Colorado High Speed Digital Network) that reached every county seat.

In addition, the state awarded cash grants to counties to expand access to local agencies, schools and libraries. This was intended to bring affordable "last mile" connections from the network to local government agencies.

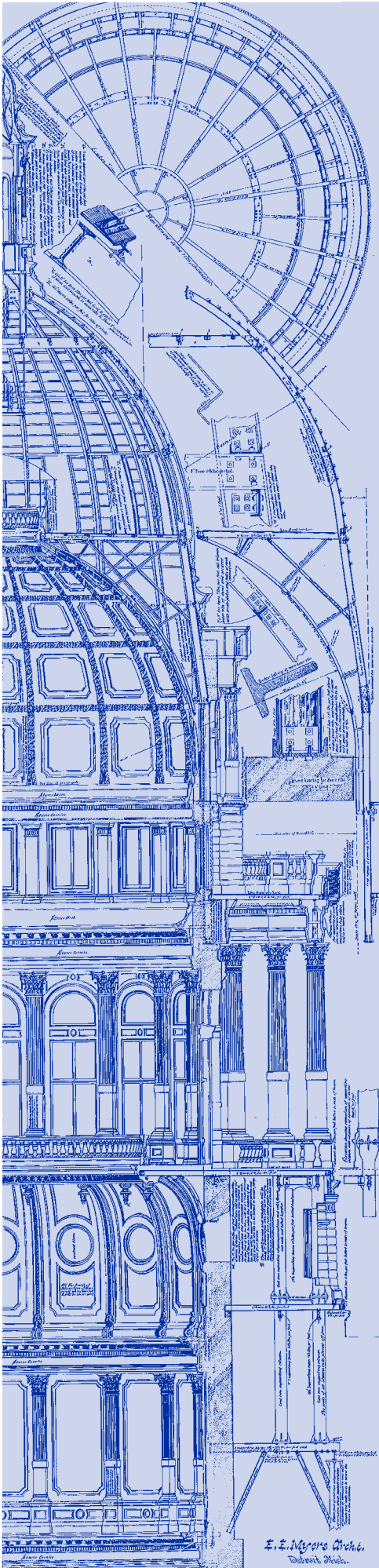
The Colorado High Speed Digital Network currently reaches every county. However, 10 counties do not yet have broadband connections for the "last mile" between the network and individual homes, businesses and local governments.

#### ✓ **Make the necessary investments to connect all counties to the statewide broadband network.**

**We need to finish the job we started in 2000 and ensure that all counties have broadband access to the Internet. Whether it requires state funds to leverage private investments or state grants to local government, we need to see that affordable broadband access is available for the "last mile" in all counties.**



For more information, go to Blueprint Brief No. 21, "Connect all counties to the statewide broadband network."



Our goal in this Blueprint is to identify ways Colorado can help extend the American Dream into the 21st Century, bring more security to middle class families and create the conditions for more families to join the middle class. To meet the challenges of the new century, we have tried to think differently about poverty and self-sufficiency, health care and retirement security, education and job training.

We all know that for this or any policy agenda to succeed, government must play a role. Of course, that must be a limited and largely supportive role to the private sector, because it's the private sector that creates jobs, generates prosperity and drives innovation.

But just as well-functioning markets generate prosperity, effective government helps ensure prosperity is shared by more families. That role is as important today as it has ever been.

So part of our agenda is to help make sure Colorado's state government can get the job done – that our elected representatives make good decisions, use tax dollars wisely, and are open and accountable to the people they serve. We need to give state government the tools it needs to do its job, and we need to hold it accountable for doing that job right.

# 4. Making state government work

## **We can give our elected officials more of the tools they need**

### **to do their jobs by:**

- ✓ Creating a rainy day fund to better protect essential state services during economic downturns.
- ✓ Protecting Referendum C.
- ✓ Expanding the legislature's nonpartisan research capacity.
- ✓ Requiring new laws to be reviewed after implementation to make sure they work as intended.

## **We can hold our elected officials and state agencies more accountable by:**

- ✓ Opening up the state budget process to public testimony and creating an annual, easy-to-understand summary of the state budget.
- ✓ Improving public notice of pending government hearings and decisions.
- ✓ Televising the General Assembly floor debate and hearings.
- ✓ Establishing a professional, one-stop customer assistance center as a permanent part of state government.

## Give our elected officials more of the tools they need to do their jobs.

State government funds schools, runs colleges and universities, builds roads and bridges, pays for health services for low-income folks, runs prisons, manages our natural resources, and performs many other functions on our behalf. We depend on it to do all of this efficiently and effectively.

To have a state government that works for all of us, we should start by making sure it has tools to do its job right. Colorado voters took a major step in that direction last year with Referendum C, allowing the state to use the

revenues it collects over the next five years to help schools, colleges, health care services and transportation systems recover some of the ground lost during the recent recession.

We need to protect these gains by creating a rainy day fund and rejecting efforts to roll back Referendum C.

Because we also elect our legislators to make good decisions and solve problems on our behalf, we should make sure they get the best information and advice. And because they still will make some mistakes, we should require all new laws to be reviewed after their first few years to see if they are working as intended and to learn from mistakes along the way.

The most important job of the legislature every year is to write a state budget so that schools, colleges, roads, prisons, health care, parks and other agencies have the appropriate resources to serve the people of Colorado.

Colorado has one of the leanest and most frugal state governments in the country. As a percentage of personal income, Colorado's state tax burden was the lowest in the nation in 2004.<sup>4</sup> So when we face a shortfall, there is little fat to cut.

The recession in 2001-03 forced the legislature to make damaging cuts to colleges, transportation, health care and many other services. All told, more than \$1 billion was cut from the state budget, amounting to 15 percent of an already lean General Fund.<sup>5</sup>



### State tax revenues at a glance

**50th:** Colorado's ranking among all states for state tax burden as a percentage of personal income (\$44.57 per \$1,000 of personal income).<sup>1</sup>

**46th:** Colorado's ranking among all states for combined state and local tax burden as a percentage of personal income (\$91.02 per \$1,000 of personal income compared to a national average of \$104.11 per \$1,000).<sup>1</sup>

**4:** The percent of Colorado's gross state product that will be collected this year in state income, sales, excise and gasoline taxes. This totals roughly \$8.06 billion<sup>2</sup> out of a roughly \$200 billion state economy.<sup>3</sup>

**56:** Percent of total state tax revenues collected through individual income taxes.<sup>2</sup>

**25:** Percent of total state tax revenues collected through the state sales tax.<sup>2</sup>

**6.6:** Percent of total state tax revenues collected through the state gasoline tax.<sup>2</sup>

**5.1:** Percent of total state tax revenues collected through corporate income taxes.<sup>2</sup>

**7.3:** Percent of total state tax revenues collected through all other sources, including use taxes, estate taxes and gaming taxes.<sup>2</sup>

**For state spending at a glance, see page 44.**

## 4. Making state government work

**Some states weathered the recent recession better than Colorado** because they had rainy day funds. Like reserve savings accounts families use to cushion hard times, rainy day funds help states avoid more drastic cuts to the services their citizens rely upon.

Colorado has only a 4 percent statutory reserve, which is not adequate.<sup>6</sup> Other states typically have rainy day funds of up to 10 percent of their budgets.<sup>7</sup> Several proposals for a rainy day fund for Colorado were offered in the last legislative session, but none passed.

In years such as 2005-06, when revenues come in at a higher rate than originally budgeted, at least some should be set aside in a rainy day fund. Ten percent of current General Fund appropriations is \$668 million, \$401 million more than the current 4 percent reserve of \$267 million.<sup>8</sup> So raising the reserve might best be done over a few years.

✓ **Create a rainy day fund to help during economic downturns.**

**The next governor and legislature should enact a strategy to increase the statutory reserve by at least one percentage point each year to create a rainy day fund of at least 10 percent of the state General Fund within six years. One source of funding could be a portion of the excess reserves left over at the end of some fiscal years.**



For more information, go to Blueprint Brief No. 22, "Create a rainy day fund."

**Colorado voters passed Referendum C in 2005 to prevent further budget cuts** and allow the legislature to restore some of the cuts they had to make during the recession.

Referendum C lets the state keep all the revenues it collects under existing taxes until 2010, after which the state will begin rebating excess revenues to tax payers. Even with this five year time-out from TABOR, the state will not be able to restore all the cuts it had to make to schools, colleges, health care, roads and bridges and other important areas. We need to protect this modest but important measure so that Colorado can continue to recover.

✓ **Protect Referendum C**

**We should make sure Referendum C is left in place and allowed to function as the voters intended. We should not do anything to limit the modest effects of Referendum C.**

## **Colorado has a part-time legislature.**

For the most part, our state senators and representatives are not full-time politicians. Most have to return to the real world to earn a living. We pride ourselves on this system, since those who make decisions in Colorado remain closer to the people they represent.

We also limit the legislative session to four months each year. During that short time, legislators write the multi-billion-dollar state budget and consider hundreds of important bills. That means they often have to learn a great deal about many issues in a very short time.

Legislators are assisted in this process by a professional, nonpartisan staff with expertise on a wide range of issues. Among the staff's many responsibilities are drafting legislation, staffing committee hearings, researching policy ideas, reviewing state agency budget requests, forecasting future economic activities and state revenues, estimating the fiscal impacts of proposed legislation and auditing state programs.

The legislative staff is highly qualified, but it is stretched thin, particularly during the intense legislative session. Legislators often have to rely heavily on outside experts, many of whom have vested interests in what the legislature decides. As the public policy challenges of the new century grow more complex, Colorado's state legislators need to be able to rely on more and better independent, nonpartisan expertise.

## **✓ Expand the legislature's nonpartisan research capacity.**

**The legislature should review its staffing levels and utilization to ensure the development of permanent, professional expertise in a wider variety of issues and to ensure legislators have prompt access to the non-biased information they need to make wise decisions.**

**One valuable service the non-partisan legislative staff should perform** is to review new laws and programs after they have been implemented to make sure they are working as the legislature intended.

Given the pace of a legislative session, lawmakers enact new laws to address perceived problems but seldom have time to go back to look at these laws one or two years later to see if they actually work.

Even with the best information and the most deliberative process, some laws will not work. Some will be poorly implemented, some will not be adequately funded and some will have unintended and adverse consequences.

Colorado needs a formal process for reviewing past legislation to learn from and correct problems that may develop in implementation. The legislature took a step in this direction in 2006 with Senate Bill 79, which provides for the future review of any bill that has both an optional "accountability clause" and a legislative declaration explaining the intended results and benefits of the bill.

## **✓ Require new laws to be reviewed after a few years to make sure they work as intended.**

**SB06-79 is a good start, but we should build on it by requiring every new law or bill establishing or changing a program of state government contain both an accountability clause and an explicit declaration of its intended results and benefits. The legislature should ensure there are adequate staff resources to perform these reviews effectively, and the final reviews should be made public. Laws that have not worked should be amended or repealed.**

## 4. Making state government work

### Hold our elected officials and state agencies more accountable

Making state government work better requires more than stabilizing funding and helping legislators make informed decisions. We also need to make sure state government is as open as possible and that voters and taxpayers have the tools to hold it accountable.

There are many good ideas for making our government more open and accountable. We can start by opening the legislative budget process to public hearings and requiring an easy-to-understand report on the budget every year. We should also require state agencies to do a better job informing the public of pending hearings and decisions.

We should make the legislative process more accessible by televising floor debates and hearings to residents throughout the state. And we should create an independent, one-stop customer service center for all of state government, similar to Denver's new 3-1-1 system.

**The most important thing the Legislature does each year is set the budget** for all state agencies and programs. It does many other things during the session, of course, but it is through the budget that it sets priorities and gives the rest of state government the resources and direction to carry out those priorities.

Colorado's budget process is thorough and relatively open. But given how important it is to every citizen of the state, it is in our best interest for it to be as open, accessible, fair and understandable as possible.

Jim Zelenski at the Colorado Fiscal Policy Institute has done a lot of good thinking on this topic. His report, *The Transparency of Colorado's Budget Process: Is it Open, Understandable, and Accessible to Coloradans?*, recommends ways to make the state budget process more open and accountable. The legislature should review and consider implementing these recommendations.

#### ✓ Open up the state budget process.

The Legislature should make the state budget process as open and understandable as possible. At a minimum, it should:

- Produce and broadly distribute a simple, easy to understand guide to the state budget, including revenue sources and spending categories, so citizens can "follow the money" through the process.
- Give ordinary citizens the opportunity to testify before the Joint Budget Committee on budget items, just as they can before other legislative committees. All public testimony should happen before the figure-setting process begins.
- Produce and broadly disseminate an annual report, similar to that required by Referendum C for retained revenues, that clearly and concisely outlines the year's budget and where the money has been spent.



#### Added resources:

- *The Transparency of Colorado's Budget Process: Is it Open, Understandable, and Accessible to Coloradans? (2003)*  
<http://www.cclponline.org/pubs/transparency.pdf>
  - *Hopeful Signs for State Budget Transparency (2004)*  
<http://www.cclponline.org/pubs/transupdate3-04.pdf>
- Two special reports from the Colorado Fiscal Policy Institute, an independent organization studying fair fiscal policies.



## State spending at a glance

- \$16.3 billion:** Total state appropriations, including \$3.8 billion in federal funds (23 percent), \$5.7 billion in state cash funds (35 percent), and \$6.8 billion in state general funds (42 percent).
- 83:** Percent of total **federal funds** spent by four state departments: 43 percent by Health Care Policy and Finance, 14 percent by Human Services, 13 percent by Education, and 11 percent by Transportation.
- 75:** Percent of total **state cash funds** collected and spent by six state departments: 29 percent by Higher Education, 13 percent by Human Services, 11 percent by Transportation, 8.5 percent by Education, 8 percent by Revenue and 6.3 percent by Health Care Policy and Finance.
- 42 cents:** Amount out of every General Fund dollar spent on public education. Almost all is administered by local school districts and their elected boards.
- 21 cents:** Amount out of every General Fund dollar spent on Medicaid. Most reimburses doctors and hospitals.
- 12.5 cents:** Amount out of every General Fund dollar spent on state courts and prisons.
- 10 cents:** Amount out of every General Fund dollar spent on higher education. Most funds College Opportunity Fund student stipends.
- 9 cents:** Amount out of every General Fund dollar spent on Human Services.
- 5.5 cents:** Amount of every General Fund dollar spent on all other state departments combined: Agriculture, Labor and Employment, Local Affairs, Military and Veterans Affairs, Natural Resources, Personnel and Administration, Public Health and Environment, Public Safety, Regulatory Agencies and Revenue, and offices of the Governor and Lt. Governor, the Legislature, Attorney General and Treasurer.

**Source:** State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report.

**For state tax revenues at a glance, see page 40.**

**In Colorado, many important decisions are made by regulatory and governing boards** and individual administrators. Each state agency has procedures to follow to give public notice in advance of the meetings and hearings when they will make decisions.<sup>9</sup>

State agencies post information on their own Web sites and in the *Colorado Register*, which Coloradans can find at a public library, government offices or through a subscription service.

But, information about upcoming meetings is not always easy to find. Citizens who don't follow the process regularly – or can't pay an attorney or lobbyist to do so for them – are not likely to know where or when to look for critical information.

The Colorado Department of Regulatory Agencies' web page comes closest to providing a calendar of easy-to-find meeting notices for rule-making agencies.<sup>10</sup> Still, there should be one central Web page that contains this information for every state agency, so citizens don't have to hunt through more than one site.

### ✓ Improve public notice of pending government hearings and decisions.

**The state should review and update its administrative procedures to promote the broadest possible dissemination of information about pending regulatory hearings and rule settings.**



**For more information, go to Blueprint Brief No. 23, "Give Coloradans better notice of government hearings and decisions."**

## 4. Making state government work

**To its credit, Colorado’s legislative process is fairly open.** Citizens can watch legislative debate in person or hear it live over the Internet, give testimony at most hearings, track bills, and speak directly to legislators at the Capitol.

But much of the access to legislature and executive branch activities is predicated on being in Denver or having access to a computer with Internet capability, as well as having time to participate during the work day.

These are not real options for many working Coloradans, those who live far from the State Capitol, or those on the “have not” side of the digital divide.

### ✓ **Televising the General Assembly floor debate and hearings.**

Much like city council meetings are broadcast on local cable television, the General Assembly floor debates and hearings should be broadcast on television, and the programming should be repeated in evenings and on weekends.

This CSPAN-like coverage would give more Coloradans a chance to follow what is happening at the statehouse, and thus stay informed. The state should also broadcast important state agency and board meetings and regulatory hearings. Colorado should join the 28 states that already provide such public access.<sup>11</sup>



For more information, go to Blueprint Brief No. 24, “Televising the General Assembly floor debate and committee meetings.”

**Our state government can appear too big and impersonal** to someone who needs to find specific information or apply for a service. In the Denver phone book alone, there are well over 1,000 phone numbers listed for state government – numbers for everything from the governor’s office to the Board of Dental Examiners.

The interaction between a citizen and a single state employee – who may or may not be trained in customer service – often colors how that citizen views all of government. We should make it as easy as possible for the customers of state government to find information or get the assistance they need without having to guess where to call or wait on the line a long time.

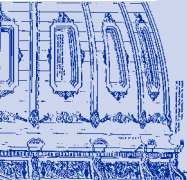
### ✓ **Establish a professional, one-stop customer assistance center as a permanent part of state government.**

The state should follow the lead of the City and County of Denver and establish a one-stop phone and online service as a single and convenient port-of-entry for anyone needing information or assistance from state government.

The service should be available before and after business hours and on weekends, and it should have enough well-trained staff to deal promptly with requests.



For more information, go to Blueprint Brief No. 25, “How state government can use a 311 service line.”



## How much will all this cost?

Any policy agenda has implications for taxpayers and state spending, and this one is no exception. Candidates and voters will rightly ask how much it will cost to implement the ideas in this document. The answer is easier for some recommendations than for others.

Some of our suggestions have very specific price tags. For instance, we recommend investing \$25 million a year in a housing trust fund, expanding adult education by at least \$1 million a year, and investing at least \$1 million a year in an Individual Development Account program.

We also recommend doing a better job of supporting teachers and empowering school principals. That involves a variety of strategies that elected officials at the state and local level will need to consider. Costs will depend on the strategies a district chooses, and undoubtedly will be a major consideration in the decision.

Some of our recommendations involve how the public and private sector already spend large amounts of money. For instance, we recommend the state seek a comprehensive overhaul of its health care system. That could affect how the state and local governments spend many millions of dollars, and could have profound effects on how the private sector spends money as well.

But Coloradans already spend billions of dollars on health care. We believe Colorado can design a health care system that covers more families without costing more money. The solution may involve moving large amounts of money around, but overall, it need not entail a significant new or long-term financial burden on consumers, businesses or taxpayers. In fact, to succeed the reform will have to result in lower costs over time.

Some of our recommendations concern spending existing dollars more wisely. We suggest one way to give principals more authority is to move decisions about spending existing funds out of the central school district office and into the individual school building. We also recommend removing bureaucratic barriers to

programs that help high school students take college courses, which may affect the budgets of individual departments but need not result in a large increase in overall state spending.

We also suggest the state work with the private sector to encourage more employers to change how they implement their pension plans, and we suggest the state adopt different policies for noticing public hearings. We also suggest targeting existing economic development efforts to attract and maintain jobs that middle class families can live on. None of these programs entails much, if any, new spending.

Some of our recommendations are for tax cuts – an expanded Earned Income Tax Credit, an expanded Child Care Tax Credit, and several others. We estimate all the tax cuts we recommend, if fully implemented, will cut the tax burden on Colorado families by at least \$150 million each year. Should we count these tax cuts as a cost in the same way we count increased spending on programs?

Some of our recommendations will save money and avoid cuts, such as our suggestion that we protect the gains of Referendum C. And others, while costing money, will directly generate more economic activity and revenues, such as the investment in a housing trust fund, investments in clean energy and conservation, and wiring our rural communities.

So we have put costs to some of the recommendations, but we can't put specific numbers to all of them – and we therefore cannot give a total price tag for the whole agenda. And while we know each of these recommendations, if implemented properly, would be cost effective and expand opportunities, we also know the state may not have the resources to do them all immediately or at the level we recommend.

In the end, we ask candidates and voters to consider each recommendation on its own merits. The correct question to ask is whether each is worth its expense. That is a decision the voters and our elected officials ultimately will have to make.

## Conclusion

Public policy is about turning vision into reality.

Our vision is that Colorado should be a state of opportunity for all, and in this Blueprint we suggest ways to turn that vision into reality.

We think our priority as a state and a nation in 2006 should be renewing the American Dream and updating it to the realities of a global economy and a new century.

That means helping middle class families face new challenges in uncertain times and making sure more families have a chance to climb into the middle class.

We have identified four primary tasks we think are essential:

- ✓ Making sure our kids are prepared to prosper in the new economy
- ✓ Helping families get ahead and join the middle class
- ✓ Helping middle class families stay ahead
- ✓ Making state government work

We have offered specific recommendations in each area to move Colorado forward.

There clearly are other good ideas, and we do not claim to know everything there is to know about all the issues we raise. But we are confident these suggestions – individually and together – can expand opportunities for families and help Colorado compete in the 21st Century.

It is not a coincidence that we are releasing this Blueprint in the middle of the 2006 campaigns for governor, state legislature and other important offices. Our goal is to influence the debates that are going on between candidates and among voters about the kind of state we want Colorado to be and the policies we need to take us there.

We offer this Blueprint in the hope that candidates will agree with many of its recommendations and implement them when elected. We hope voters will take note and let opportunity be their guide when they decide who they want to lead our state into the future.

Many of the ideas in this Blueprint are fleshed out in more detail in issue briefs and other documents mentioned in the report and available on our Web site. In the coming months, we plan to travel the state to talk to candidates, journalists, community leaders and voters about these ideas.

And after the election, we will work with elected officials to implement as many of these ideas as possible.

Colorado has been a land of opportunity for many of us because of the commitment and investments of previous generations. For it to be a land of opportunity in the future, we are the ones who now must rise to the occasion.

We know expanding opportunities reflects the values of the vast majority of Coloradans of every party, race, religion and economic background and in every community of the state.

We hope expanding opportunity will be what the debates leading up to the election are about, and we urge those who win this November to make it their mission in office.

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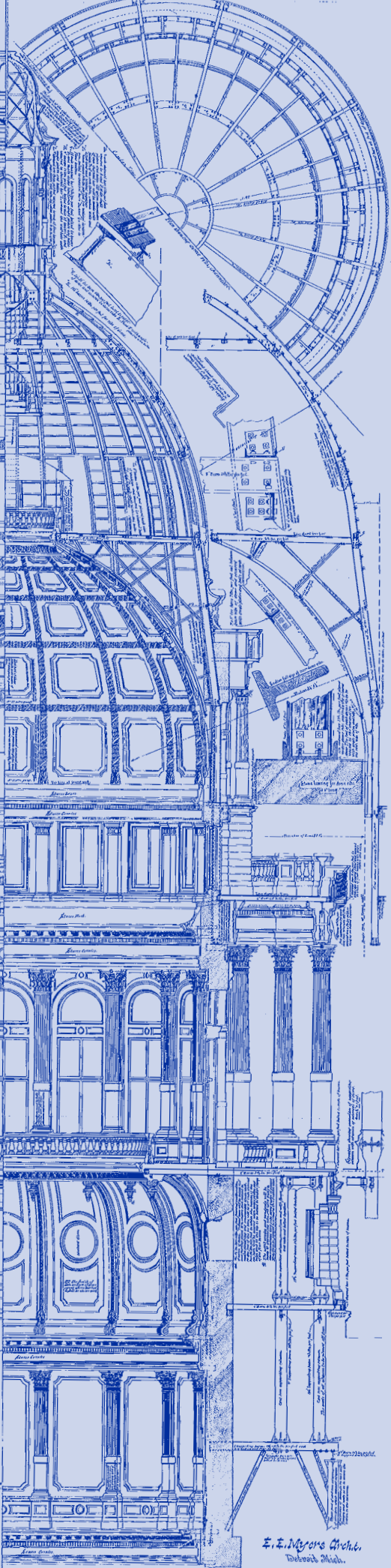
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  - 9 “Colorado Regulatory Structure” Web page, Office of Policy, Research and Regulatory Reform, Colorado Department of Regulatory Agencies.  
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  - 10 “Calendar of Rulemaking Hearings” Web page, Colorado Department of Regulatory Agencies.  
[http://www.dora.state.co.us/pls/real/sb121\\_web.calendar](http://www.dora.state.co.us/pls/real/sb121_web.calendar)  
or via this click-through route:  
www.colorado.gov > State Agencies > Regulatory Agencies > Office of Policy, Research and Regulatory Reform > Calendar of Hearings.
  - 11 “Legislative Webcasts of Floor Proceedings, Committee Hearings, and Archiving of Webcasts,” a state-by-state status grid, National Conference of State Legislatures Web page.  
<http://www.ncsl.org/programs/lis/webcasts.htm>



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