

Blueprint for Opportunity

Issues that matter
Ideas that work

A guide for Colorado
candidates and voters
in the 2006 election

The Bell
Policy Center



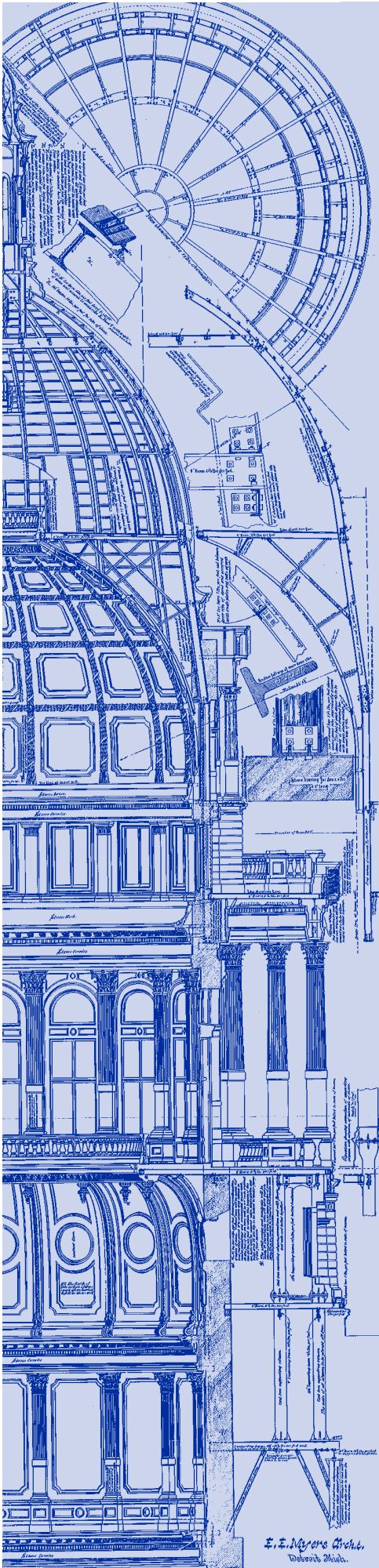
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Dome of Colorado State Capital Building

*When this dome was built, the architect...
The dome is an example of the...
The dome is an example of the...
The dome is an example of the...*

*E. E. Myers Archt.
Dobson, Minn.*

Interior Elevation of one half of dome showing finish, size, and weight per sq. ft. for the several parts.



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 2004.⁴ 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.⁵



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).¹

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).¹

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 billion² out of a roughly \$200 billion state economy.³

56: Percent of total state tax revenues collected through individual income taxes.²

25: Percent of total state tax revenues collected through the state sales tax.²

6.6: Percent of total state tax revenues collected through the state gasoline tax.²

5.1: Percent of total state tax revenues collected through corporate income taxes.²

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

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.⁶ Other states typically have rainy day funds of up to 10 percent of their budgets.⁷ 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.⁸ 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.⁹

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.¹⁰ 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.¹¹



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.

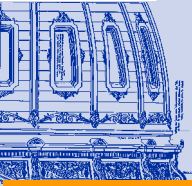
✓ **Establish a professional, one-stop customer assistance center as a permanent part of state government.**

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.

Chapter 4: Making state government work

- 1 Tom Dunn, How Colorado Compares in State and Local Taxes, Colorado Legislative Council Staff Issue Brief No. 05-01, Jan. 24, 2005.
http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2005/research/05-01IssueBrief_StateLocalTaxes.pdf
- 2 Calculated by Bell staff based on Colorado Legislative Council Staff forecasts contained in Focus Colorado: Economic and Revenue Forecast, 2006-2011, June 20, 2006.
http://www.state.co.us/gov_dir/leg_dir/lcsstaff/lcs/focus/2006/06Forecast0620.pdf
- 3 Bell projections based on U.S. Bureau of Economic Analysis estimated gross state product for Colorado in 2005 and historic growth trends.
- 4 Dunn, Colorado Legislative Council, 2005. (End Note No. 1)
- 5 John Ziegler, Joint Budget Committee Staff, *Summary of Actions Taken To Balance Prior Year Budgets*, Memorandum to Joint Budget Committee, Sept. 20, 2004, Appendix C, p. 1.
- 6 Colo. Rev. Stat. 24-75-201.1(d)(III).
- 7 “Rainy Day Funds: State Budget Stabilization Funds” web page, National Conference of State Legislatures.
<http://www.ncsl.org/programs/fiscal/rdfaxa.htm#a>
- Rainy Days in Colorado: Do We Have the Right Umbrella?* The Bighorn Center for Public Policy, July 2003, pp. 22-30.
- 8 Economics staff, Colorado Legislative Council, “Focus Colorado: Economic and Revenue Forecast, 2006-2011,” Table 1, June 20, 2006.
- 9 “Colorado Regulatory Structure” Web page, Office of Policy, Research and Regulatory Reform, Colorado Department of Regulatory Agencies.
http://www.dora.state.co.us/opr/co_regulatory_structure.htm
- 10 “Calendar of Rulemaking Hearings” Web page, Colorado Department of Regulatory Agencies.
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>