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Blueprint for Opportunity

No. 15

Implementation Memo

TO: Governor-elect Ritter
Members of the 66th Colorado General Assembly

FROM: The Bell Policy Center – Adrian Miller, General Counsel and Director of Outreach

DATE: December 20, 2006

RE: Implementing Bell's Blueprint recommendation No. 15 to create an economic self-sufficiency standard for Colorado.

In the 2006 Blueprint for Opportunity, the Bell Policy Center recommends:

Create an economic self-sufficiency standard for Colorado.

One of the priorities of Colorado's state government should be moving as many families as possible to economic self-sufficiency. *(See Blueprint, page 22)*

This memorandum briefly discusses the issues surrounding this proposal, describes steps for implementing it, outlines some of the factors to consider and lists sources for additional information and resources.

If you are interested in pursuing this issue further, we are prepared to work with you. Please contact Rich Jones, director of policy and research, at (303) 297-0456 or jones@thebell.org.

Overview of the issue

Most state public assistance programs are calibrated to the Federal Poverty Level, a one-size-fits-all national standard. Designed in the 1960s, it is calculated largely on the cost of food and has only been updated for inflation. The standard is outdated and virtually irrelevant to the actual costs families face today, such as child care, health care and transportation. In fact, many assistance programs now use multiples of the federal poverty level to determine eligibility.

The self-sufficiency standard provides a much more accurate assessment of the economic well-being of Colorado's families. The purpose of the standard, according to a 2004 report by the Colorado Fiscal Policy Institute, is to measure "how much income is needed for a family of a given composition in a given place to adequately meet its basic needs — without public or private assistance."

The federal poverty level measures poverty in America, while the self-sufficiency standard is a measure of what it takes to be economically independent in any given Colorado county. As such, self-sufficiency is a better indicator of which families have the opportunity to succeed and prosper in Colorado. Because the gap between the two standards is significant, they send different signals to policy makers about how best to promote the economic well-being of Colorado families.

The self-sufficiency standard is an excellent tool that could be used in many ways, including:

- Creating a benchmark for measuring the effects of programs and policies.
- Economic development.
- Targeting higher wage jobs for Coloradans.
- Enhancing education, job training and skills development programs.

- Counseling clients transitioning from welfare to workforce development programs.

As it has with organizations in 35 states, Wider Opportunities for Women (a national organization) partnered with the Colorado Fiscal Policy Institute (COFPI) to develop a Self-Sufficiency Standard for Colorado in 2001. The Colorado standard was updated in 2004. COFPI's model is thorough and analytically sound. It is the model that we should use in Colorado, and the Bell has advocated for its use in the past. In addition, COFPI is developing a calculator that will make the standard easier for consumers to use.

In coalition with several other organizations, the Bell worked with legislative sponsors to run self-sufficiency standard legislation in 2003 (HB03-1043) and 2004 (HB04-1139). Both years, the legislation was postponed indefinitely in a House committee.

Implementation steps

1. **The governor should issue an executive order or the legislature should pass legislation that encourages state agencies to use the existing standard as developed by the Colorado Fiscal Policy Institute.** This is the policy option we most prefer.The executive order or legislation should make available, and encourage the use of, the self-sufficiency standard for a variety of purposes. Legislation would be harder to change than an executive order and therefore would be more permanent. COFPI's self-sufficiency standard would also need to be updated. We estimate it would cost approximately $50,000 to update the standard in 2007.
2. **If the state does not want to use the standard already developed by COFPI, it could create and calculate a new standard.** The governor could do so within his executive office by either directing a state agency or empowering a commission to create a standard, as was done in Virginia. The governor could also contract with a private sector entity to create a standard.
3. **No matter which approach the state uses to create a self-sufficiency standard, it should, at a minimum, adopt a standard that takes into account:**
   - Family composition, including the number of adults and number and ages of children.
   - Regional and county variations in the costs of housing, child care, health care, food, transportation and miscellaneous items.
   - Effects of existing tax laws, including state and local sales taxes, payroll taxes, federal and state income taxes, local property taxes, child care tax credits and the earned income tax credit.
4. **In calculating a self-sufficiency standard, the state or a private contractor should use data that most accurately reflects the true market costs of products and services in Colorado.** For example:
   - U.S. Department of Housing and Urban Development's fair market rents for apartments.
   - Child care costs using the average costs for licensed child care facilities, including family day care, as reported to the state's child care resource and referral agencies for children of different ages in different areas of the state.
   - Food costs as calculated by the U.S. Department of Agriculture Low Cost Food Plan.
   - Health care costs by including insurance premium costs and out-of-pocket expenses based on the Medical Expenditure Panel Survey and adjusted for inflation using the Medical Consumer Price Index.

Factors to consider

When self-sufficiency standard legislation was introduced (and failed) in 2003 and 2004, several arguments were made in opposition to the bill. Each was based on a misunderstanding of the proposal:

- **Eligibility.** Some legislators incorrectly believed more people would eligible for human services programs since the self-sufficiency standard is consistently higher than the federal poverty level. Adopting a self-sufficiency standard would not change the income eligibility requirements for programs — that would require additional action.
- **Private sector efforts.** Our proposal is to make self-sufficiency an official state policy goal. Here we stress that Colorado's state government should send the message that moving families to self-sufficiency is one of its priorities. Since a well-developed self sufficiency standard already exists, the state should simply use it.
- **Methodology.** Some legislators questioned whether or not the standard was really trying to determine "basic needs" or target a very comfortable lifestyle. If it were the latter, the costs would then be exaggerated. While not perfect, the methodology outlined above for calculating the self-sufficiency is sound, and is far less arbitrary as a measure of well-being than the current federal poverty level.

Information and resources

🖱 ☎ Suzette Tucker-Welch, senior fiscal policy analyst, Colorado Fiscal Policy Institute, suzettetwelch@cclponline.org, (303) 573-5669 ext. 306.

"The Self-Sufficiency Standard Report for 2004: A Family Needs Budget," prepared by the Colorado Fiscal Policy Institute.
🖱 http://www.cclponline.org/pubs/sssfullreport5-04.pdf

🖱 HB03-1043, 2003 Self-Sufficiency Standard legislation.

🖱 HB04-1139, 2004 Self-Sufficiency Standard legislation.

The report of Virginia's Joint Legislative Audit and Review Commission on Self-Sufficiency Among Social Services Clients in Virginia, June 2006.
🖱 http://jlarc.state.va.us/Reports/Rpt332.pdf