



The Bell Policy Center

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Comments to the Joint Budget Committee Colorado General Assembly

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The Bell Policy Center

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Senator Tapia, Representative Buescher, members of the Committee, thank you for this opportunity to speak with you today and share some of our thoughts about the budget and the fiscal condition of the state.

We know there are many pressures on you to spend much more money than is available. And we know well the limitations you are under – not just from limited resources but also because of the many constraints written into statute and the Constitution that further limit your ability to write a budget based on today's priorities.

The Bell Policy Center, as you likely know, is a non-partisan think tank committed to expanding opportunities, promoting self-sufficiency and supporting families who aspire to join the Middle Class. From our beginning more than six years ago, the fiscal health of our state has been our top priority. We are proud of the role we played in exposing the flaws in TABOR and helping create the understanding and consensus that led to the passage of Referendum C.

Today we want to talk with you about two things.

First, we want to suggest how the goals of expanding opportunity, promoting self-sufficiency and supporting the economic stability of families can serve as guideposts as you make the tough decisions in crafting next year's budget.

And second, we want to tell you what we are doing to continue to address the issue of the state's fiscal health.

Referendum C was a wonderful victory of which so many of us, in this room and throughout the state, can be very proud. But we know it was only a partial victory, an incomplete victory. The state's resources still are extremely limited when compared to our future needs, not to mention our aspirations as a state. It is not too early to begin talking about the post-Ref C world. We hope to be a part of that discussion, and we want to start today.

First, let's talk about next year's budget.



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When resources are unlimited, of course, priorities don't matter because you can fund everything people want. But when resources are limited, how government spends its money should reflect a society's most important goals and values. That's why we believe so strongly that Colorado's budget priorities should align with our core values of opportunity and self-sufficiency.

Safety nets are important and must be adequately funded. But one of government's most noble roles is to help give individuals and families the opportunity to improve their lot in life and to assist them in moving up the economic ladder to self-sufficiency.

Last summer, we released the *Blueprint for Opportunity*, a document outlining the role we think the state government must play in this effort. The *Blueprint* talks about how we can prepare our kids to prosper in the global economy, how we can help families get ahead and join the middle class, and how we can help middle class families stay ahead. It also talks about how we make state government work better for all of us. In each of these broad areas, we offer specific recommendations.

It is no surprise that the most important recommendations focus on how we spend money, and in particular how we spend the money that Referendum C now allows us to keep. Let me mention some of these.

We propose spending \$55 million of Ref C funds each year on incentives for teachers and to empower principals. We do this because two common aspects of virtually every education reform proposal out there are (1) to encourage the best teachers to take on the most challenging assignments, and (2) to give principals more authority to make critical decisions about what happens in their schools.

We propose spending a little more than \$150 million a year of Ref C funds to increase the College Opportunity Fund stipend to \$3,000 a year per full-time student, to double need-based financial aid, to restore cuts made to our state, community and junior colleges, and to expand adult education programs. We do this because we know affordable and accessible higher education and retraining opportunities are critical to our future competitiveness and to the aspirations of low and middle income families in every part of the state.

We propose expanding and making permanent both the Earned Income Tax Credit and the Child Care Tax Credit. We do this because these are proven, effective, and efficient ways to help hard working families make ends meet by letting them keep more of the money they earn.

We propose creating an affordable housing trust, funding the Individual Development Account program and funding the Micro-Enterprise Development program. We do this because we know that building wealth and developing assets – whether it's opening a savings account, buying a first home or starting a small business – are critical steps on the path to self-sufficiency and the American Dream.

We propose increased funding for local public health efforts, the Colorado Indigent Care Program, public school health clinics and more. We do this because we know tattered public health and health care safety nets leave our communities exposed to significant threats and put hard working families at financial risk.

And we propose creating a Rainy Day Fund by increasing the statutory reserve requirement from 4 percent to 10 percent over the next six years. This is a big ticket item, as you know – an additional \$537 million over six years. We do this because we don't want future legislators to have to make such deep cuts to critical services the next time we have a recession.



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We make many other proposals in our *Blueprint*, but these are highlights of those that lie largely – if not exclusively – within your authority as the Joint Budget Committee. In your packet is an implementation memo on each of these items as well as several others I have not mentioned.

We are serious about these proposals. We firmly believe each is a critical part of an opportunity agenda for Colorado. We support them. We ask you to consider them and to do everything within your power to implement them.

But we know you do not have the money or the flexibility to fund all – or even most – of what we have asked you to fund.

Your hands are tied by limited revenues and by clear rules that set formulas for how large parts of the budget must be written. And we know, as you know, that the Ref C dollars only go so far. For the most part, they prevent you from having to cut further into services that already are very lean. There is little available to restore past cuts, let alone to address or fund new ideas, no matter how worthy.

Even before the recent fiscal crisis, our research showed Colorado was not investing in opportunity at a level that truly helped people become self-sufficient. More recently, a number of groups – from the university presidents to the Metro Denver Chamber of Commerce – have started to document how truly far behind we are in each of these areas.

So it is critically important that we look beyond this year's budget and make opportunity a long-term priority. To do this, we must recognize that Colorado's fiscal house is in serious disarray. There are systemic problems in the way we raise and budget funds, making it increasingly more difficult for the state to meet the basic and critical needs of its citizens.

If we as a state don't take steps to resolve these issues soon, Colorado's fiscal crisis will evolve into an opportunity crisis and a diminished quality of life for all who live here.

And so our commitment to you is to focus as hard as we can on these long term issues moving forward.

The good news is that many people already recognize the problem, in one form or another, and are starting to talk about it. Whether it's the Economic Futures Panel at DU, the Metro Denver Chamber of Commerce, the Fiscal Policy Institute, the university and college presidents, the transportation community, regional groups like Club 20, the public education community or others, many Coloradans already know we have a problem we need to address.

We intend to focus on two specific aspects of our fiscal problems.

First, we will work with other groups to document, in as objective a manner as possible, how far our current and future resources will take us in meeting the future needs in key budget areas such as schools, colleges, health, prisons and transportation. Is there really a gap, and, if so, how big? Where are the greatest deficiencies? Do our aspirations for leaving no child behind, expanding access to college, reforming our health care system and building a transportation system for the 21st Century really fit the revenues we currently generate?

If not, what are our options?

And second, we are very concerned that, right now as we speak, a number of single interests are sitting in separate rooms strategizing how to solve their own piece of this problem.



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We honor their intentions and understand their motivations. But if we have learned anything from our experience with Amendment 23 and other efforts, it is that when we seek a solution for one area that entails a dedicated funding stream or a guaranteed level of funding, we further cement in place budget formulas and constraints and we end up with a wider gap between winners and losers.

At the Bell, we talk a great deal about how all these issues are related. A state of opportunity is one in which all these areas are addressed. It is not a state with good schools but bad colleges, world class roads but second class health care. Rather, it is a state that recognizes each area must be funded sufficiently. It is a state that recognizes we all eat from the same pie.

And so our second commitment is to work hard to promote comprehensive rather than piecemeal solutions. Our research will focus on how well we are prepared to fund all the critical areas of state government, and our work toward a solution will focus on how to bring all of these areas together in a common response – with everyone working together to expand the options rather than competing with one another over a shrinking pie.

We will keep you informed of our progress, and we welcome and value your input.

Thank you for this opportunity. I hope these comments are helpful, and we are happy to answer any questions.