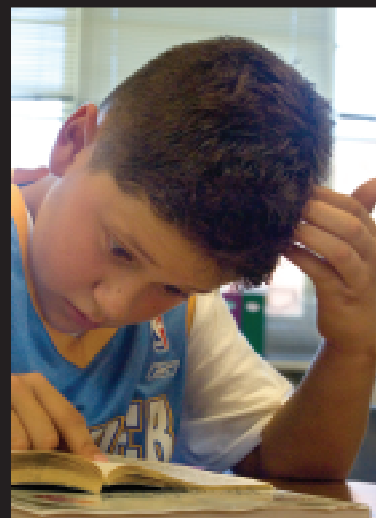
Colorado:

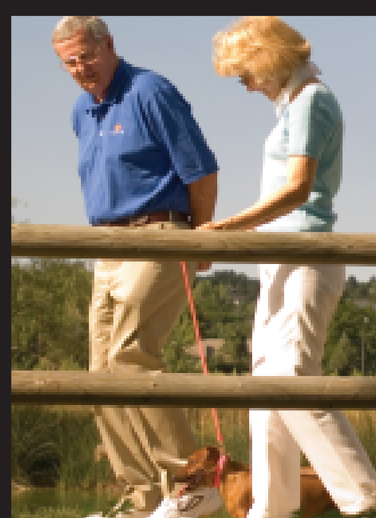
The State of Opportunity
2005 Report











The Bell Policy Center

Research • Advocacy • Opportunity

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

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Acknowledgements

It's been three years since The Bell Policy Center published its first major report on opportunity in Colorado. This 2005 report builds on the foundations of the 2002 report, tracking the Cycle of Opportunity, the nine Gateways (we have added one to the original list of eight) and the indicators that give a vital measure of opportunity.

This report is chiefly the work of the Bell's research staff, with guidance, writing and editing by Wade Buchanan, Bell's president, and Rich Jones, director of policy and research.

Contributing researchers are Robin Baker, Ph.D., senior policy analyst; Daniel Spivey, Bell fellow 2005-06; Evan Enarson-Hering, Bell fellow 2004-05; Ari Stiller-Shulman, Bell summer fellow 2005; Emily White, Bell fellow 2004-05.

Heather McGregor, communications director, edited text, managed photography, and designed and produced the report.

Bell staffers Adrian Miller, Mollie Cross, Elaine Rumler and Rick Sullivan contributed additional proofing and comments.

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Photographs by Kevin Moloney
www.kevinmoloney.com

Front cover

1. Jasmine Owens and **2.** Ian Rule, preschool students at the Schlessman Family YMCA Preschool Center in Denver. **3.** Zachary Bailey, a fourth grade student at Maddox Elementary School in Englewood. **4.** Imani Maxey-Bell, left, and Savannah Johnston, fourth grade students at Maddox Elementary School in Englewood. **5.** Joella Jones, on the swing, and Donte Essien, students at Denver School of the Arts. **6.** Olivia Hendrick, a student at Denver School of the Arts. **7.** Gabriel Duell, a cooking class student at Metro State College in Denver. **8.** Wendy Rich-Goldschmidt, chief of the campus police force at the University of Northern Colorado in Greeley. **9.** Richard and Mary P. "Mippy" Kreutzer of Lakewood, with their dog Arthur.

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Valeria Centano, and Kalynne Sanchez, Maddox Elementary School, Englewood; Jordan Geiger, Denver School of the Arts; Janelle Chaney, Metro State College; Donte Essien, Denver School of the Arts; Suzanne Bruce, Denver; Rafael Leal, Metro State College; Jenna Moll Reyes, Denver School of the Arts; Elizabeth Stephens, Denver.

Introduction

Anyone who works hard should have the opportunity to succeed.

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Colorado is a state of opportunity for many.** Our economy is rebounding and most families earn enough to get ahead. We are relatively healthy compared to the residents of other states. For most of us, Colorado remains a great place to live, work and raise a family.

- **Colorado is not yet a state of opportunity for everyone.** Serious and persistent challenges face many of our families, making it very difficult for them to break into the Cycle of Opportunity – either in this generation or the next.

- **None of these challenges can be understood or addressed in isolation.** Each affects the others. Families that are not self-sufficient are less likely to have health care. Kids without health care are less likely to show up to school ready to learn. Kids who are not ready to learn in the early grades are less likely to graduate 12 years later and go on to college. Those who don't go to college are less likely to earn a self-sufficiency income. The cycle continues into another generation.

- **Race and income clearly matter when it comes to opportunity.** Poor people, including a disproportionate number of African-Americans and Hispanics, have far fewer opportunities and face more formidable barriers than other Coloradans. The gaps are glaring and stubbornly consistent.

Referendum C propels opportunity

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

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

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

In the Colorado Economic Recovery Act, which is the statutory foundation for Referendum C, legislators divided the revenues, allocating 30 percent for public schools, 30 percent for colleges and universities, 30 percent for health care, and 10 percent to fund the bonds issued under Referendum D.

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

Public schools

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

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

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

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

Colleges and universities

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

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

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

Health care

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

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

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

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

Government plays a critical role

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

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

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

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

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

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

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

Anyone who works hard should have the opportunity to succeed.

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

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

The Cycle of Opportunity

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

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

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

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

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

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

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

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

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

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

Self-Sufficiency

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

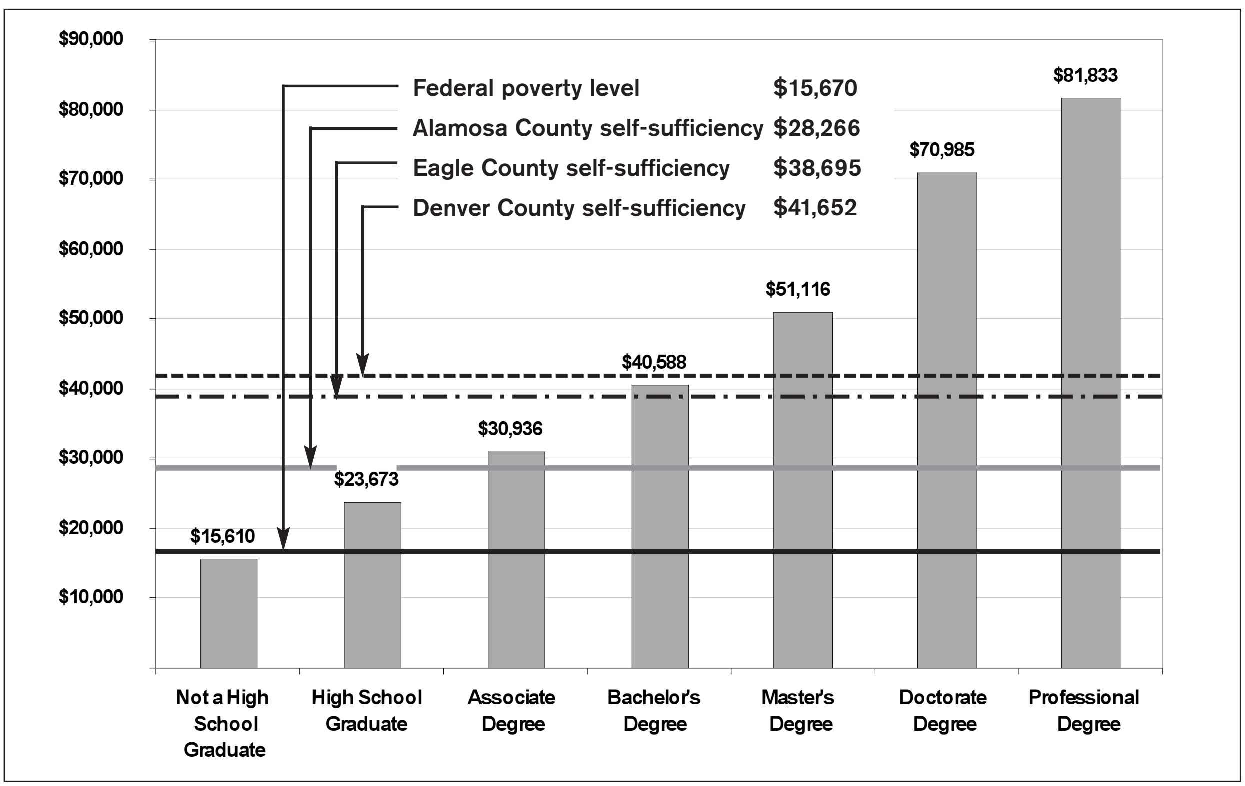
If we want to create jobs that provide health insurance, we need to attract employers that pay self-sufficiency wages.

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

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

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

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



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

Summary of Gateways, Findings and Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendations:

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

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

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

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

Recommendations:

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

Regular prenatal visits during pregnancy can prevent or diminish complications that can lead to low weight births. Doctors recommend 14 visits during the nine months of pregnancy. In her fifth month of pregnancy, Suzanne Bruce gets a check-up from nurse practitioner Eden Ware.

A Healthy Birth

A healthy pregnancy leading to a healthy birth is the first gateway to a life of opportunity. A baby who is born healthy is likely to enjoy more opportunities in life than one not born healthy.

A healthy birth sets the stage for a healthy and stimulating infancy – a crucial time for a new baby to develop physically, mentally and emotionally into a curious and energetic young child ready to absorb all the world has to offer.

An unhealthy birth can be a major barrier in a baby's life, often delaying development and leading to life-long challenges.

This is particularly true of unhealthy births to parents of limited means – parents who do not have the financial capacity to gain access to adequate health and developmental care in the critical months following birth.

We have chosen four key indicators to measure how well Colorado's babies are making it through this first essential gateway.

Indicator 1: Low birth-weight babies

Babies who weigh less than 5 pounds, 8 ounces at birth are more likely to have health complications, at birth and later in life.

Indicator 2: Access to prenatal care

Women who receive prenatal care in the first trimester of a pregnancy are more likely to give birth to healthy babies.

Indicator 3: Teen pregnancies

Teenage girls are more likely than women in their 20s and 30s to encounter complications during pregnancy and at birth.

Indicator 4: Smoking during pregnancy

Women who smoke during pregnancy are at greater risk for premature birth, low birth-weight babies, stillbirth, infant mortality, and other complications.

Indicator 1: Low birth-weight babies

A baby that weighs less than 5 pounds, 8 ounces at birth is a low birth-weight baby.

Low birth weight babies are more likely to be hospitalized, more likely to have learning and behavior problems, and more likely to repeat grades and need special education.[1]

Problems from low-weight births often mean mothers take longer maternity leave or do not return to work at all because of pregnancy complications and infant care needs.[2] Families of low birth-weight infants spend more on transportation to doctor visits, health care and education, which aren't reimbursed by Medicaid or other programs.[3]

In 2002, Colorado's low birth-weight rate was 8.9 percent,[4] compared to 7.8 percent nationally.[5] Colorado's low birth-weight rate is higher than the national average in all age and race categories. Overall, the state has the 10th highest low birth-weight rate in the nation.[6]

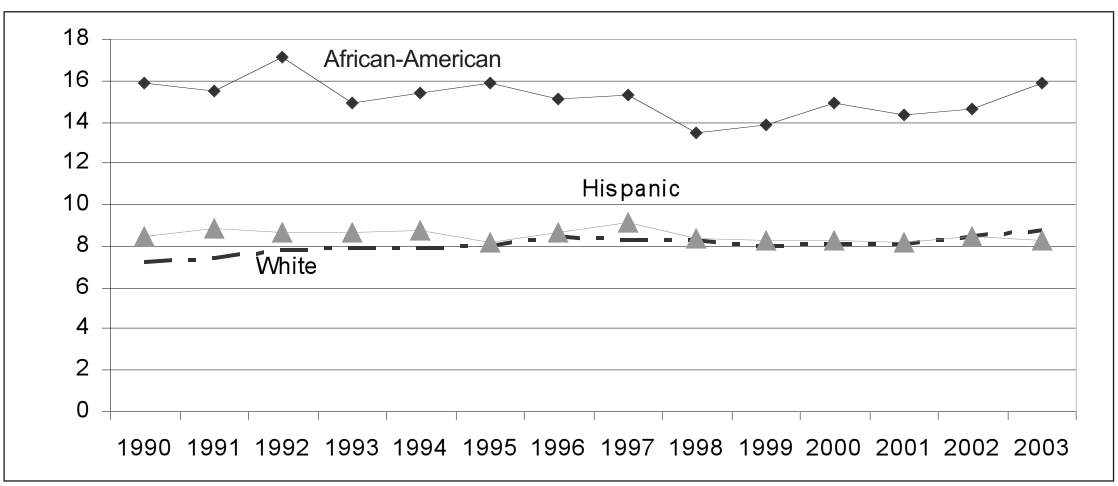
The rate among African-American women is almost twice as high as the rates among white and Hispanic women, which is consistent with national data. In Colorado since 1990, low birth-weight rates among all racial groups remained relatively consistent, showing no trend toward improvement.

The leading cause of low-weight births in Colorado is multiple births. But for single births, the leading causes are inadequate maternal weight gain, smoking and premature labor. Research shows that Colorado's high elevation is a secondary factor, but can play a bigger role for mountain residents.[7]

These problems can be addressed through timely prenatal care.

- Low-weight births are more common for young teen mothers and women delivering twins, triplets or more.[8, 9] Colorado ranks in the top 10 states for high twin and triplet birth rates. Multiple births in Colorado increased from 1.9 percent in 1975 to 3.1 percent in 1997.[10] Many of these mothers are over 40 and used reproductive technology to get pregnant, resulting in twins, triplets or more.[11]
- In 2002, low weight births were higher among African-Americans in Colorado, at 14.4 percent, compared to the national average of 13.4 percent.
- Poverty, racism, lack of community support and family problems can cause stress-induced changes in a woman's body prior to conception. These changes contribute to pregnancy problems such as low-weight births.[12]

Figure 1. Percent of low-weight births by race/ethnicity in Colorado, 1990-2003



Source: Adapted from The Health Status of Colorado's Maternal and Child Health Population, June 2005, Figure 11, p. 22.

Indicator 2: Access to early prenatal care

Prenatal care in the first trimester of a pregnancy is vital to the health of mother and infant. When women receive early and adequate prenatal care, they are more likely to stop smoking, eat better and continue to see a doctor or nurse during and after pregnancy.

After steady improvement since 1990, the percentage of pregnant women in Colorado receiving timely prenatal care began to fall from a 1997 high of 83 percent to just over 79 percent in 2002 and 2003.

By comparison, the national average in 2003 was 84 percent.[13] **In 2003, Colorado ranked 39th for women receiving care in the first trimester.**[14]

While prenatal care is important, studies examining the effects of prenatal care on birth outcomes reveal mixed results.[15, 16] Prenatal care that also includes nurse home visits has been found to be most effective.[17]

Timely prenatal care varies by race with cultural differences influencing pregnancy outcomes. For example, Colorado Hispanic mothers are less likely to receive early prenatal care but also less likely to have low birth-weight babies.[18]

In contrast, more African-American mothers receive early prenatal care, but are almost twice as likely to deliver a low birth-weight baby.[19]

Table 1. Percent of live births from mothers receiving early prenatal care by race and age, 1998-2002 average

Age	White	Hispanic	Black
15-19	63.9	52.3	73.1
20-24	72.7	54.4	57.9
25-35	76.6	58.7	71.0
35+	78.4	54.5	***
Total	75.2	55.7	67.9

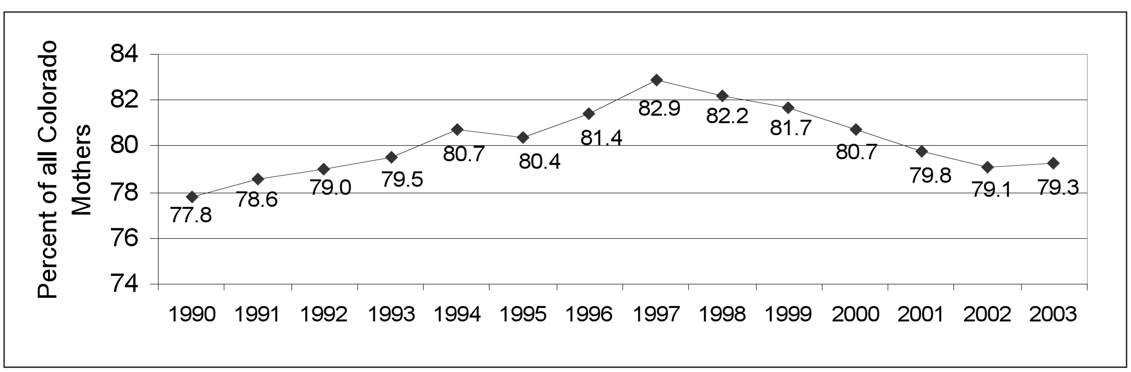
Source: Colorado PRAMS data, Colorado Department of Public Health and Environment.
Note: *** estimates cannot be calculated due to too few births in the sample.

Overall, white mothers are most likely to receive timely prenatal care and Hispanic mothers are least likely.

The Colorado Department of Public Health and Environment reports that pregnant Medicaid recipients tend to face more barriers to accessing early prenatal care. These include lack of transportation, unintended pregnancies, domestic violence, inability to find a primary doctor who accepts Medicaid clients and living in rural areas.[20]

Consequently, only 57 percent of pregnant women covered by Medicaid receive early prenatal care, compared to 71 percent of all pregnant women.

Figure 2. Percent of births with first trimester prenatal care in Colorado, 1990-2003



Source: Colorado PRAMS data. Table adapted from Health Status of Colorado's Maternal and Child Health Populations (2005), Figure 2, p. 7.

Indicator 3: Teen pregnancies

Teen pregnancy raises obstacles to the cycle of opportunity for mother and infant. Teen mothers are more likely to have pregnancy complications, including low birth-weight babies.

Without help from their families, they are less likely to have the financial resources to adequately care for their babies – especially if the babies are born with health complications. Teen mothers are far more likely to drop out of school and remain in low-wage jobs.[21]

In Colorado, 11 percent of all live births in 2002 were to teens younger than 20, compared to a national average of about 10 percent. Overall teen birth rates in the state declined by 26 percent from 1990 to 2002.[22]

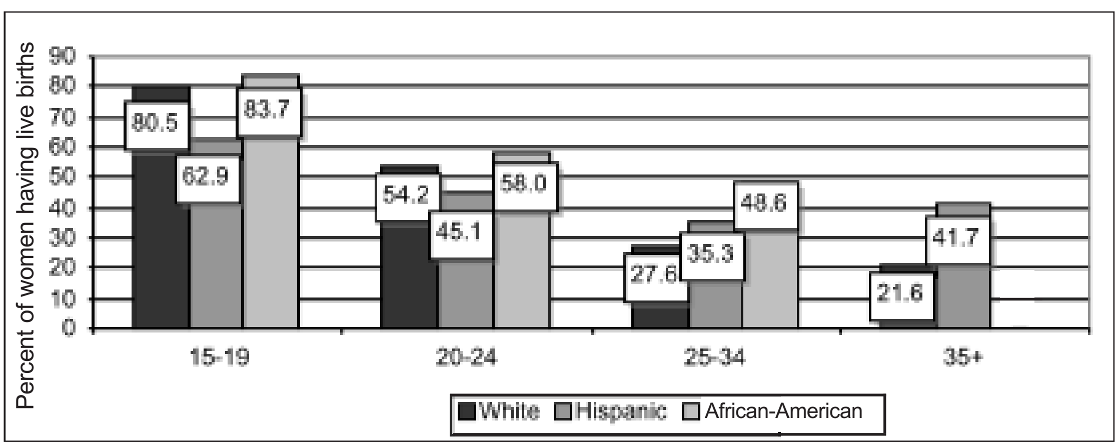
Teen pregnancy among African-Americans and American Indians in particular was nearly cut in half. While teen pregnancy among Hispanics fell nationwide, it climbed in Colorado by 8 percent — the one exception to the overall drop in teen pregnancies.[23]

Most teen pregnancies are unintended. Young women with unplanned pregnancies are less likely to start prenatal care early and to adopt healthy behaviors.[24]

- More than 80 percent of births to white and African-American teens (ages 15-19) are unintended, compared to 63 percent of births to Hispanic teens.
- Unintended pregnancies decrease with age among all races except Hispanics.[25] The decline is sharpest among white women.
- Unintended pregnancies are much higher among Hispanic women 35 and older than other women in that age group.

When asked why they didn't prevent the pregnancy, most women said they didn't think they could get pregnant. Among mothers 15 to 19, more than one quarter said their husband or partner did not want to use birth control.[26]

Figure 3. Unintended pregnancy among Colorado women having a live birth by age and race of mother, five-year average, 1998-2002



Source: Pregnancy Risk Assessment Monitoring System, Colorado Department of Public Health and Environment (2005). Note: The number of unintended pregnancies among African-American women 35 and older could not be calculated due to small sample size.

Indicator 4: Pregnancy and smoking

Women who smoke during pregnancy are at greater risk for premature birth, pregnancy complications, low birth-weight infants, stillbirth and infant death.

In Colorado, smoking during pregnancy is the second leading cause of low birth weight among single-child births.[27]

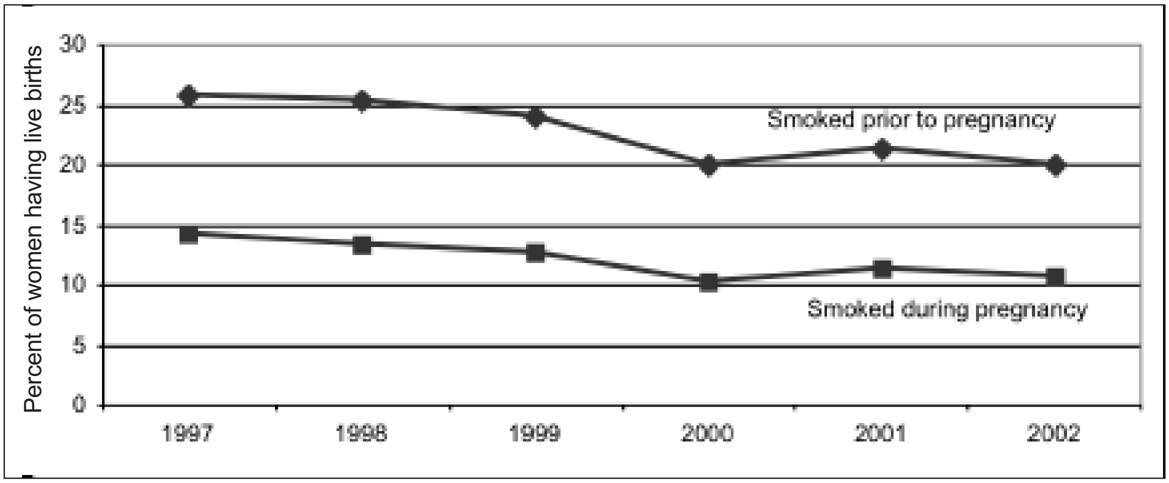
In 2002, slightly more than 10 percent of all pregnant women smoked while pregnant.

Since 1997, the percentage of all women who smoked prior to their pregnancy declined by 20 percent and the percentage that smoked during their pregnancy dropped by a third. The rates for both have remained fairly constant since 2000.

- Nationally and in Colorado, rates of smoking among all pregnant women are decreasing.
- Pregnant teens continue to smoke at higher rates than older pregnant women.[28]
- In Colorado, the rate of smoking during pregnancy is highest among white teens at 30.5 percent and lowest among Hispanic teens at 3 percent.[29]
- Nationally, smoking among pregnant African-American teens increased from 5 percent in 1994 to 7 percent in 2002.[30]

Public awareness and outreach efforts appear to be making a difference in educating women about the dangers of smoking and other high-risk behaviors during pregnancy.

Figure 4. Percentage of all teens and women delivering a live birth who smoked in the three months prior to pregnancy, and those who smoked during the last three months of pregnancy, Colorado, 1997-2002



Source: Adapted from Colorado Department of Public Health and Environment, The Health Status of Colorado's Maternal and Child Health Populations (June, 2005), Figure 6, p. 13.

What is Colorado doing?

Colorado has several services to improve the health of low-income pregnant women and their children. Many are provided through the state's Medicaid program. Others serve low-income families whose income or assets exceed the Medicaid limits.

Prenatal Plus

Medicaid-eligible pregnant women at risk of delivering low birth-weight babies receive advice and help to adopt healthy behavior.

For example, expectant mothers get help to quit smoking, gain adequate weight and resolve emotional issues resulting from chronic poverty or domestic violence that could affect their pregnancies.

In 2003, Prenatal Plus served 3,516 women. Participants had fewer low birth-weight babies than the state average.

Research by the Colorado Department of Public Health and Environment shows that every $1 spent on Prenatal Plus services saves $2.48 in Medicaid costs through the first year of the infant's life.[31]

Child Health Plan Plus (CHP+)

CHP+ is a low-cost health insurance program for uninsured Colorado children and teens whose families earn or own too much to qualify for Medicaid but still cannot afford private insurance. It is also available to low-income pregnant women 19 and older who don't qualify for Medicaid.

Colorado Nurse Home Visitor programs

Nurses make home visits to first-time, low-income women during pregnancy and for the child's first two years, offering advice and encouragement for improving the health of mother and baby.

Mothers with incomes up to twice the federal poverty level ($25,660 for a mom and baby in 2005) are eligible for free visits.

Presumptive eligibility

Low-income women who apply for Medicaid are presumed eligible while their applications are being processed so they can receive prenatal care during their first trimester.

Presumptive eligibility was eliminated in September 2004 as part of ongoing budget cuts, but HB 05-1025 restored it in March 2005.

In addition, HB 05-1086 restored Medicaid coverage, including presumptive eligibility, for qualified legal immigrants

Tobacco taxes for health-related purposes

Colorado voters boosted the state's tobacco tax in 2004. Some of the money — an estimated $80 million in 2005 — goes to the Health Care Expansion Fund.

Revenues will help expand eligibility to the Child Health Plan Plus for children and pregnant women by increasing the income limits from 185 percent of the federal poverty level to 200 percent ($35,800 to $38,700 for a family of four in 2005).

Information online:

Centers for Disease Control: www.cdc.gov

Colorado Department of Public Health and Environment: www.cdphe.state.co.us/cdphehom.asp

Women's health in Colorado: www.cdphe.state.co.us/pp/womens/womhom.asp

Family planning services: www.cdphe.state.co.us/pp/womens/famplan.asp

Prenatal Plus: www.cdphe.state.co.us/pp/womens/PrenatalPlus.asp

Child Health Plan Plus: www.cchp.org

What more should Colorado do?

Medicaid eligibility

Colorado's income eligibility requirements for Medicaid are among the most restrictive in the nation and prevent many low-income mothers, children and families from receiving needed care.

Recommendation: Colorado should raise its Medicaid income eligibility limits from the current 133 percent of the federal poverty level ($25,735 for a family of four in 2005) to include those earning up to 185 percent of the federal poverty level ($35,797 for a family of four in 2005).

Medicaid reimbursement

In response to budget pressures and increasing health care costs, Colorado's Medicaid program lowered reimbursement rates to a point where many providers, including prenatal care providers, chose not to participate, further limiting access and choice for those who depend on these programs for care.

Recommendation: Colorado should use some Referendum C revenues to increase reimbursement rates to Medicaid providers to cover more costs for services provided.

Transportation funding

Transportation is critical to ensuring adequate prenatal care, but many low-income women don't have a way to get to their appointments.

Medicaid funding for such non-emergency transportation was eliminated during the 2003 legislative session as part of ongoing budget cuts. Currently, funding is limited to patients who need special transportation. This impacts poor families, disabled adults and rural residents who must travel for specialized care.[32]

Recommendation: Colorado should reduce transportation barriers by reinstating funding for Medicaid non-emergency transportation.

Nurse Home Visitor programs

Nurse home visitor programs are a cost-effective method for improving maternal and child health of low-income families.

Recommendation: Colorado should extend nurse home visitor programs to all counties and ensure that all eligible mothers have access to the service. In addition, the programs should recruit more bilingual nurses.

Local prenatal care funding

The per-capita line item appropriation to the Colorado Department of Public Health and Environment was vetoed in FY 2002. CDPHE passed the money on to local public health departments that used it, among other things, to help provide prenatal care for low-income women. Because of ongoing budget shortfalls, many local health departments cut back or discontinued these services.

Recommendation: Colorado should reinstate per-capita funding, or find another way to support local health departments' prenatal care.

Bilingual language training

Research indicates that language barriers are a significant obstacle to accessing timely prenatal care. Hispanic women are more likely to seek health care from providers who speak Spanish and understand their culture.

Recommendation: Colorado should increase the number of bilingual health care providers and provide language training to those who are not bilingual.

A preschool rich in activities, games and play gives young children the social and learning skills they need to succeed in kindergarten. Here, youngsters enrolled in the Schlessman Family YMCA Preschool Center in Denver play with toys that simulate grown-up work.

Upper left, Ian Rule dresses up as a firefighter while Kennedy Stephen checks out the wide end of a pair of binoculars. Upper right, Eve Caswell Gunbil uses the binoculars to focus on the photographer. Left, Beth Schroeder listens to Caitlin Soon's breathing through a stethoscope, while Jasmine Owens waits her turn.

A Safe and Stimulating Early Childhood

A safe and stimulating early childhood is our second gateway to a life of opportunity. A child who is nurtured emotionally and stimulated intellectually during the first years of life is much more likely to develop the self-confidence and cognitive abilities that will lead to greater opportunities throughout life.

A safe and stimulating early childhood sets the stage for success during the first years of school, when a child begins accumulating the tools needed to succeed academically and to take on the increasingly complex challenges of life.

Those who do not experience safe or stimulating early childhoods – or, worse yet, suffer emotional or physical abuse or neglect – are less likely to be prepared to enter school and are more likely to suffer academic and emotional problems that can inhibit later successes.

Indicator 1: Children living in poverty or low-income families

Family economic security is an important part of a stable home environment.

Indicator 2: Children with health insurance coverage

Having health insurance increases the likelihood that children will receive quality health care.

Indicator 3: Quality and affordable child care

Safe and affordable child care is critical for working mothers and families, and quality child care and education improves a child's readiness for school.

Indicator 4: At-risk kids served by the Colorado Preschool Program

The Colorado Preschool Program is proven effective for preparing low-income children for school.

Indicator 1: Children living in poverty or low-income families

Family economic security is one of the best predictors of a child's well-being and readiness for school. A key factor in a family's sense of well being is having its basic needs met, including food, housing, transportation and medical care.

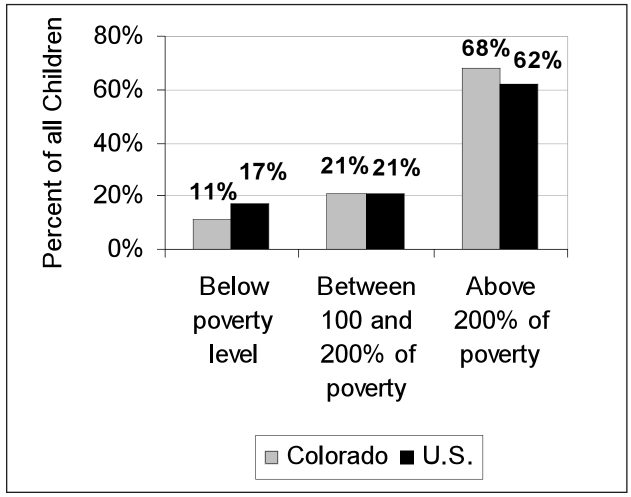
Economic pressures can negatively impact the health of family members, including children.[1]

Research shows a clear relationship between poverty and health problems, lower test scores and increased school drop-out rates.[2]

The federal poverty level for a family of four in 2005 is $19,350. The National Center for Children in Poverty defines low-income families as those earning under 200 percent of poverty, or $38,700 for a family of four.

In 2003, the most recent year for which comparisons can be made, 32 percent of Colorado kids lived in low-income families, including 11 percent living below the poverty level. Nationwide, 38 percent of children lived in low-income families, including 17 percent living below the poverty level.

Figure 2. Percentage of Colorado and U.S. children by family income, 2003.



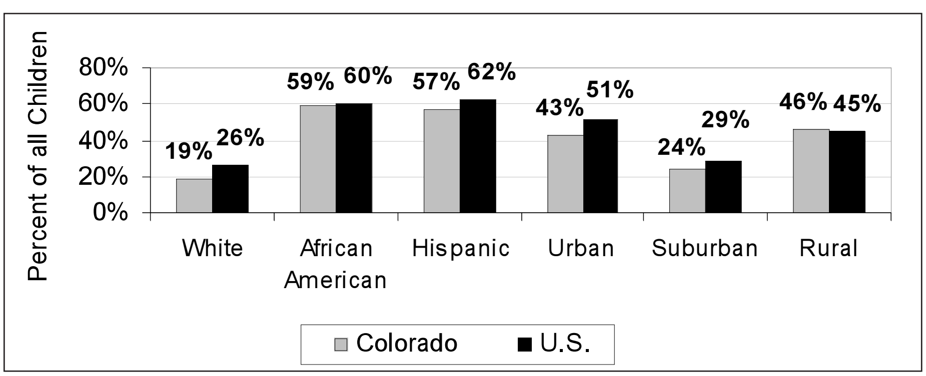
Source: See Figure 1.

In absolute numbers, 354,576 Colorado children lived in low-income families, including 122,550 at or below 100 percent of the federal poverty level.

Of Colorado's white children, 19 percent were low-income, compared to nearly 60 percent of African-American and Hispanic children. Less than a quarter of suburban kids were low-income, compared to 43 percent in urban areas and 46 percent in rural areas.

Colorado's child poverty rates increased during the recession of the early 2000s.[3] One measure is the 8.6 percent rise in those receiving Temporary Assistance for Needy Families (TANF) in Colorado — from 32,099 families in March 2002 to 34,862 in March 2003.

Figure 1. Percentage of Colorado and U.S. children living in low-income families (below 200 percent of federal poverty level), by race and place of residence, 2003.



Sources for Figures 1 and 2: National Center for Children in Poverty (NCCP). Colorado data calculated from the Annual Social and Economic Supplement (March) of the Current Population Survey from 2002, 2003 and 2004; national data calculated from the 2004 data, representing information from calendar year 2003.

Indicator 2: Children with health insurance coverage

Young children who receive regular health screenings and preventive care are far more likely to enjoy good health through the critical early years of development.

Whether a child has health insurance coverage – from either a private or public source – is the most significant factor determining if she will receive these essential health services.

In 2003, nearly 177,000 Colorado children 18 or younger had no health insurance. That is 15 percent of all Colorado kids, compared to a national average of 12 percent. The uninsured rate among Colorado's low-income children was 29 percent, compared to 20 percent at the national level.

A parent's employer or another private source covered 67 percent of all Colorado kids, compared to the national average of 61 percent. Among low-income kids, 36 percent were covered by a parent's employer or other private source, compared to only 28 percent nationally.

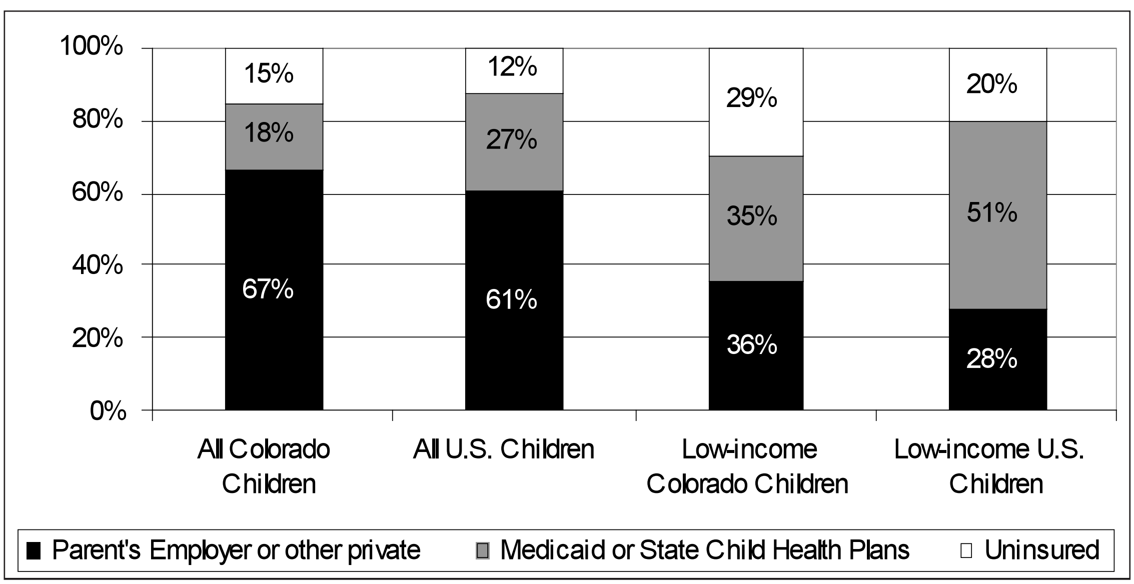
However, this advantage in private coverage is offset by the relatively low number of kids covered by public programs in Colorado (Medicaid and CHP+). These programs served only 18 percent of children, compared to the national average of 27 percent. Among low-income kids, these programs served only 35 percent in Colorado, compared to 51 percent nationally.

Together, Medicaid and state child health plans such as Colorado's Child Health Plan Plus (CHP+) are the largest children's health programs in the country and the primary source of health coverage for low-income families. Research shows they are highly successful in improving the health of low-income children. These programs help make preventive and primary care more available and affordable to families.[5]

In Colorado, Medicaid covers children whose families live at or below 133 percent of poverty, while CHP+ covers children in

(Continued on next page)

Figure 3. Insurance coverage for U.S. and Colorado children in 2003, by income and type



Source: Kaiser Commission on Medicaid and Uninsured and Center for Children and Families, Georgetown University Health Policy Institute (2004).

Indicator 2: Children with health insurance coverage

(From previous page)

families with incomes between 133 and 185 percent of poverty. To receive federal matching funds, the state is required to serve everyone who applies for Medicaid and meets the eligibility guidelines. Between 2003 and 2004, the number of people covered by Medicaid in Colorado increased sharply, by 12.6 percent.[6]

On the other hand, budget constraints led the state to limit the number of children served by the CHP+ program, regardless of eligibility. As a result, enrollment in CHP+ dropped more than 26 percent in 2003 and 2004. That placed Colorado last in the nation for the number of kids enrolled in a non-Medicaid state child health insurance plan.[7]

Medicaid provides health care at a lower per-person cost than private health insurance. Nationally, administrative costs for Medicaid were 7 percent of costs, compared to 13.5 percent for private insurance.[8] And while children account for almost half of Medicaid beneficiaries, they account for less than 20 percent of the program's spending.[9]

In fact, expenditures for children enrolled in Medicaid were 10 percent lower than costs would have been under private health insurance. From 2000 to 2003, overall Medicaid costs per patient grew at 55 percent of the rate of private insurance.[10]

However, the relative efficiency of Medicaid comes at a cost. Much of the savings are achieved through very low reimbursement rates. In 2005, reimbursement rates to doctors serving Medicaid patients were 60 percent of the reimbursement rate given for Medicare patients.[11]

Many health care providers have stopped accepting new Medicaid patients, further reducing access. For example, surveys by Children's Hospital of Denver found an 18.5 percentage point decrease between 2000 and 2003 in the number of pediatricians who accepted Medicaid patients.[12]

To the extent that Medicaid reimbursements do not cover real costs, it is probable that these expenses are being shifted to other public sources or to private insurance premiums.

Indicator 3: Quality and affordable child care

The nature of work and child care has changed dramatically since the 1950s and 1960s. Today more than half of all women are in the workforce on a full-time basis. Many rely on child care outside the home.

The Colorado Children's Campaign estimates that 68 percent of children under 5 are in child care or preschool. The vast majority of these kids go to child care by the time they are 6 months old.[13]

Quality

Quality child care experiences improve a child's preparation for and later success in school. Inadequate or unsafe child care can adversely affect a child's opportunities for success.

Two relevant measures of child care quality are the number of credentialed child care professionals and the number of child care slots in licensed facilities

In 2005, the Colorado School Readiness Indicators Task Force reports that of the more than 15,000 child care and early education workers in Colorado, only 1,317, fewer than 9 percent, have earned an early childhood professional credential.

Of the state's 396,000 children under 5, an estimated 269,300 are in child care. Colorado presently has 201,397 licensed child care slots in preschools, day care centers and child care homes. That means as many as 68,000 Colorado children under 5 may spend time in child care facilities not licensed to meet minimum standards.[14]

- Colorado does not require teachers in child care centers or family child care homes to have Early Childhood Education (ECE) training.[15]
- Even though labor is a big part of child care costs, much care is provided by people who get low pay. Many workers have a minimal education and get little if any training.[16]
- Child care workers in Colorado earn an average hourly rate of $8.91, or $18,540 annually. These low wages lead to rapid turnover among child care workers.[17]
- Colorado allows caregivers to supervise more children than is recommended by the National Association for the Education of Young Children.[18]

Affordability

Child care is labor-intensive and therefore expensive. The cost for one year of preschool usually tops $5,000 and can be up to $10,000 per year.

According to the Colorado Fiscal Policy Institute, child care costs can account for a third or more of the income of some families. In 2002, families in the bottom 40 percent of income levels spent an average of 18 percent of their total income on formal child care.[19]

A family's ability to pay often is the main factor determining the quality of child care a child receives. Among low-income families, public assistance is a critical factor in their ability to pay. The main source of such assistance is the Colorado Child Care Assistance Program (CCCAP).

In 2004-05, the program provided assistance for 22,735 families with 42,566 children. Of these, 66 percent were below the poverty level.[20]

According to the Colorado Department of Human Services, in 2004 this represented only 29 percent of eligible families (defined as families with incomes below 130 percent of poverty).[21]

- From 2001 to 2003, funding for CCCAP declined 15 percent, adjusting for inflation.[22]

Budget pressures mean low-income families are more likely to use informal and often unlicensed child care, while higher-income families are more likely to use formal child care or preschool.

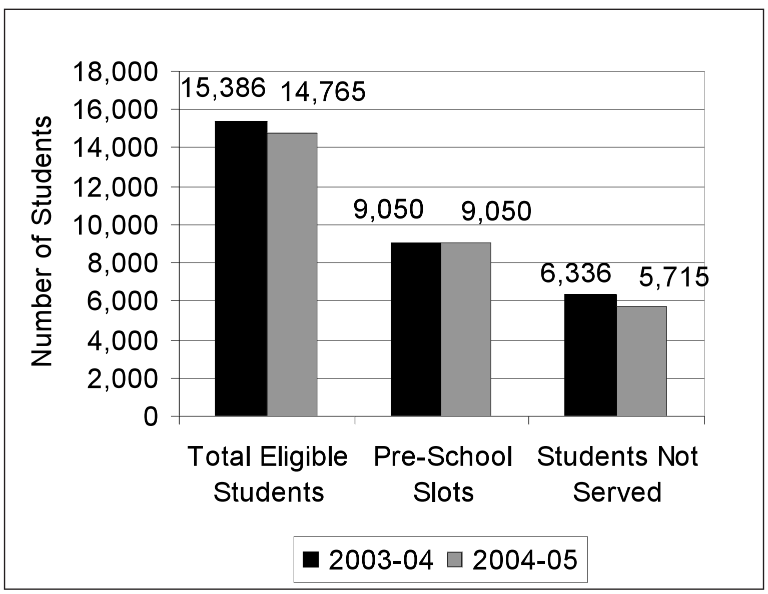
Indicator 4: At-risk students served by the Colorado Preschool Program

Preschool programs such as the Colorado Preschool Program (CPP) are an effective method for preparing low-income children for school.

CPP is the largest publicly funded program for early education in Colorado. CPP provides preschool services primarily for four- and five-year-old children who are not ready for school due to significant risk factors.[23]

The risk factors that qualify youngsters for the program include eligibility for free or reduced cost meals, need for language development (including learning English as a second language), having poor social skills or having a parent who has not completed high school. In the 2003-04 school year, CPP participants had an average of 3.3 risk factors.

Figure 4. At-risk students served by the Colorado Preschool Program – school years 2003-04 and 2004-05



Source: Colorado Department of Education, Early Childhood Connections (2005).

CPP served 58 percent of the eligible students during school year 2003-04 and 61 percent in school year 2004-05. This means 6,336 kids in 2003-04 and 5,715 kids in 2004-05 who were eligible to attend CPP preschool could not because of lack of funding.

The number of eligible students may be understated because once the available slots are filled, school districts do not actively recruit potential students for waiting lists. The number of eligible slots has been increased by 3,310, to a total of 12,360, for school year 2005-06.

In school year 2004-05, 154 out of 178 school districts participated in the program.

The Colorado Preschool Program pays off.

Children who participate in CPP need less special education, are held back a grade less often and are more likely to graduate from high school than students generally. They perform significantly better than other at-risk students who do not participate in the program.

For example, CPP students perform significantly better on the third grade reading CSAP test than do students who are eligible for free and reduced cost meals but were not in the preschool program.

Research by the Colorado Children's Campaign suggests that in 2003, 1,300 at-risk children were able to avoid special education programs because they received early childhood intervention through CPP.[24]

What is Colorado doing?

Tax credits

Several of the mechanisms used to rebate excess TABOR revenues are tax credits designed to help low-income families with children meet family needs.

The Colorado Child Care Tax Credit is available to taxpayers who paid for child care expenses for children under age 13, qualify for the federal credit and earn less than $60,000 per year. The maximum tax credit is $525 for a family with one child and $1,050 for a family with two or more children.

The Federal Earned Income Tax Credit (EITC) is an effective policy that bolsters the wages of low-income working families. It lifts more families with children out of poverty than any other program. See page 80 for more details.

The passage of Referendum C means no revenues will be rebated until at least 2011, meaning that neither the child care nor the Earned Income Tax Credit will be available to Colorado families for at least five years.

Medicaid and CHP+

In 2004, Colorado voters approved an increase in the state tobacco tax to fund health care and smoking prevention programs. HB05-1262, passed during the subsequent legislative session, commits some of these revenues to expand health care services for low-income citizens.

Specifically, the bill removes the Medicaid assets test for all children and families, expands Medicaid or CHP+ eligibility to parents at a minimum of 60 percent of the federal poverty level in 2006, and expands CHP+ coverage to children and pregnant women from 185 percent to 200 percent of the federal poverty level.

The bill also provides up to $540,000 for outreach and promotion to enroll more children in CHP+.

Child care

Since 1996, the shift in welfare programs toward requiring mothers to work has made child care a key issue. In Colorado, child care subsidies are available to all Temporary Assistance to Needy Families (TANF) recipients who are engaged in an approved work activity.

The state also provides transitional child care subsidies when parents leave TANF because they have found employment. This assistance is available until a family's income exceeds 185 percent of the federal poverty level or a lower limit set by the county where the family lives.

What more should Colorado do?

Tax credits

The Child Care and Earned Income tax credits are intended as income supports for poor working families and their children. As TABOR rebate mechanisms, however, these credits have not been available during the economic downturn, precisely when they would have been most helpful. In addition, studies show that many low-income families do not use these credits, a fact undoubtedly exacerbated by their non-permanent status.

Recommendation: Colorado should make the Child Care and Earned Income tax credits permanent. The state should also expand outreach to lower-income taxpayers to make them aware of these credits when available. One efficient way to do this would be to expand efforts to inform low-income families of free tax preparation services.

Health care

Even with the added revenues from the increased tax on tobacco products, Colorado's Medicaid program continues to have one of the most restrictive income eligibility requirements of any state in the nation. These restrictions mean that many working-class children live in families that make too much to qualify for either Medicaid or CHP+, even though they cannot afford private insurance.

Complicating the problem is the fact that fewer doctors in private practice are willing to accept Medicaid and CHP+ patients because reimbursement rates are far below cost.

In our first opportunity report in 2002, we endorsed the vision articulated by the Colorado Coalition for the Medically Underserved. It called for all Coloradans to have "unimpeded access to affordable, quality health care and preventive care programs" by 2007. Despite some worthy but incremental efforts, Colorado has not made progress toward realizing this vision.

Recommendation: The state should develop and commit to a plan to ensure all Colorado kids 18 and younger have "unimpeded access" to affordable health care by no later than 2008. Resources made available by Referendum C should be prioritized for this effort.

Recommendation: The state Legislature should enact a statute to consolidate Medicaid for children and parents, CHP+ and the Colorado Indigent Care Program into a single health care program. This would result in cost efficiencies and help provide more comprehensive services to children, including children who require more extensive care.

Information online:

Qualistar Early Learning, resource and referral agency for child care in Colorado: www.corra.org

National Center for Children, Families and Communities at the University of Colorado Health Sciences Center: http://nccfc.org

Colorado Preschool Program: www.cde.state.co.us/cdeprevention/pi_colo_preschool.htm

Medical assistance programs for low-income children: www.chcpf.state.co.us/HCPF/elig/faq.asp

Child care

Colorado is one of only a few states that rely on counties to determine their own eligibility levels and reimbursement rates for child care assistance. The differences in eligibility can be confusing for parents who move between counties, and they may even change a family's eligibility status. Low reimbursement rates also contribute to an under supply of child care providers.

Recommendation: Colorado should provide child care assistance to all Colorado families living at or below 185 percent of the federal poverty level. In addition, Colorado counties should ensure child care reimbursements rates are set at a fair market value.

Preschool

Ensuring access to quality preschool for all children is one of the most critical investments we can make in our future. The state has made increased funding for the Colorado Preschool Program a high priority for many years.

Recommendation: The state should use some of the Referendum C revenues to fully fund the Colorado Preschool Program and expand it to every school district in the state.

Quality child care experiences give children the skills the social and behavioral skills they will need to succeed in school. Ian Rule and Maya McDaniel enjoy playing together with puzzles at the Schlessman Family YMCA preschool in Denver.

Learning to read is a critical gateway to opportunity. Once a boy or girl learns to read, the world is at their fingertips. Here, fourth grade students at Maddox Elementary School in Englewood hone their reading skills. Above, Zachary Bailey looks for themes in the story that relate to his life. In the background, Nhu Kim Bui and Orion Stephenson work on their lessons.
Below, Valeria Centeno points out a passage she likes to teacher Kathy Rice, while Savannah Johnston sprawls on the floor. With a good book in hand, any position is comfortable.

Building a Solid Base for Literacy

Building a solid base for literacy is our third gateway to a life of opportunity. A child who masters literacy skills in elementary school will enjoy many more opportunities in life than a child who does not master these skills.

Literacy is the basis of all future learning. It sets the stage for mastering increasingly complex subjects in later grades and for meeting challenges throughout life.

A child who is literate at an early age is far more likely to succeed in other academic areas and to graduate from high school with the opportunity to succeed in college or the job market.

A child who does not master literacy skills in elementary school will increasingly fall behind her peers as she progresses through school and will almost certainly have fewer opportunities for financial success in adulthood.

We have chosen three indicators to measure how many of Colorado's elementary school children are making it through this third essential gateway.

Indicator 1: Proficiency in third-grade reading tests

The ability to read is the basis of all future learning.

Indicator 2: Proficiency in fifth grade math tests

Math literacy is increasingly important to success in the 21st Century workplace.

Indicator 3: Quality instruction in elementary school

Small class sizes that allow for increased personal attention and teachers who are highly qualified to teach in their fields are particularly important to improving student performance in the early years of school.

Indicator 1: Proficiency in third-grade reading tests

Being able to read in English is the base from which all future educational success can be achieved. Kindergarten through third grade is the most critical time for children to build reading skills.

Colorado law requires that by the end of third grade, children in public schools are to be fluent readers with a full range of reading strategies.

Of Colorado's third graders, 72 percent scored proficient or advanced on the Colorado Student Assessment Program (CSAP) reading test in 2005.

This represents a one point drop since 2001, indicating Colorado has made no progress since 2001 increasing the overall percentage of third-grade students with adequate reading skills.

Test results show 28 percent of Colorado's third graders are not able to read at the level necessary to succeed in the higher grades.

Embedded in this disappointing overall rate are significant achievement gaps based on race and income.

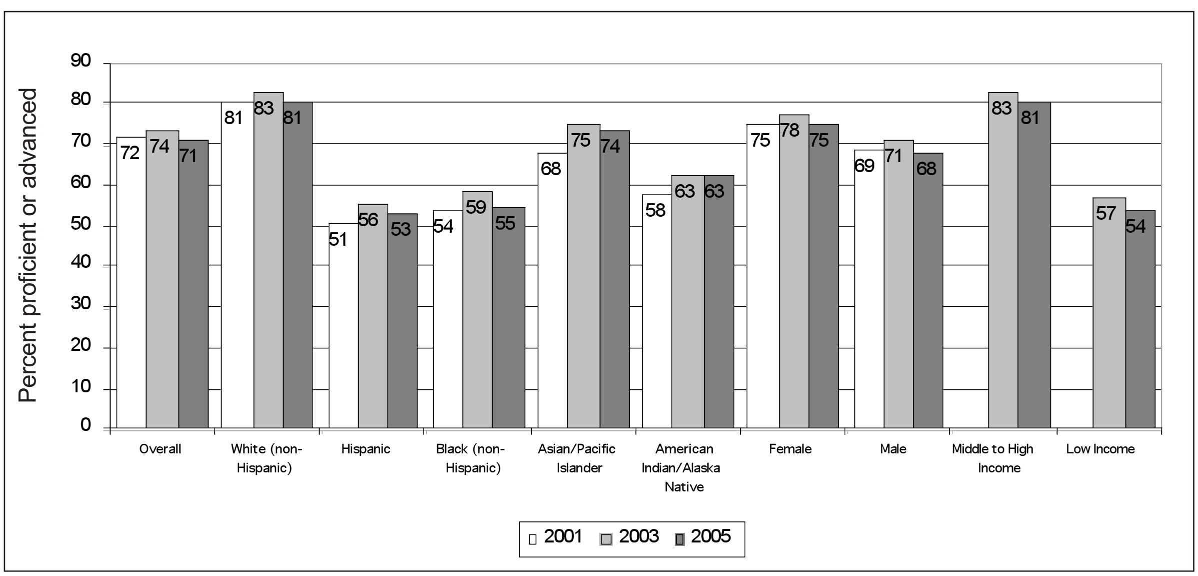
- 81 percent of white and 74 percent of Asian American students scored proficient or better, compared to 63 percent of American Indian, 55 percent of African-American and 53 percent of Hispanic students.
- 81 percent of middle- and high-income students scored proficient or better, compared to only 54 percent of low-income students.

There is a smaller but consistent achievement gap based on gender, with 75 percent of girls scoring proficient or better compared to 68 percent of boys.

The achievement gap is nothing new. It has persisted in all subject areas and grades since Colorado started the CSAP tests.

Lower than average performance of poor and minority students is one of the most pressing problems in Colorado's education system.

Figure 1. Percent of students scoring proficient or advanced on the CSAP third grade reading test, by race, income, and gender, from 2001 to 2005



Source: Colorado Department of Education. CSAP State Disaggregated Summary Results, 2001, 2003, 2005.
Note: Data for low-income and middle- to high-income is based on eligibility for Colorado's free or reduced lunch program and data is only available beginning in 2003.

Indicator 2: Proficiency in fifth grade math tests

Math skills are important for young students to be successful later in school and in our high technology world. For kids to have a chance to succeed, we must give them sufficient math skills. Whether it's for a future job, buying a house or doing taxes, math literacy is an important indicator of opportunity.

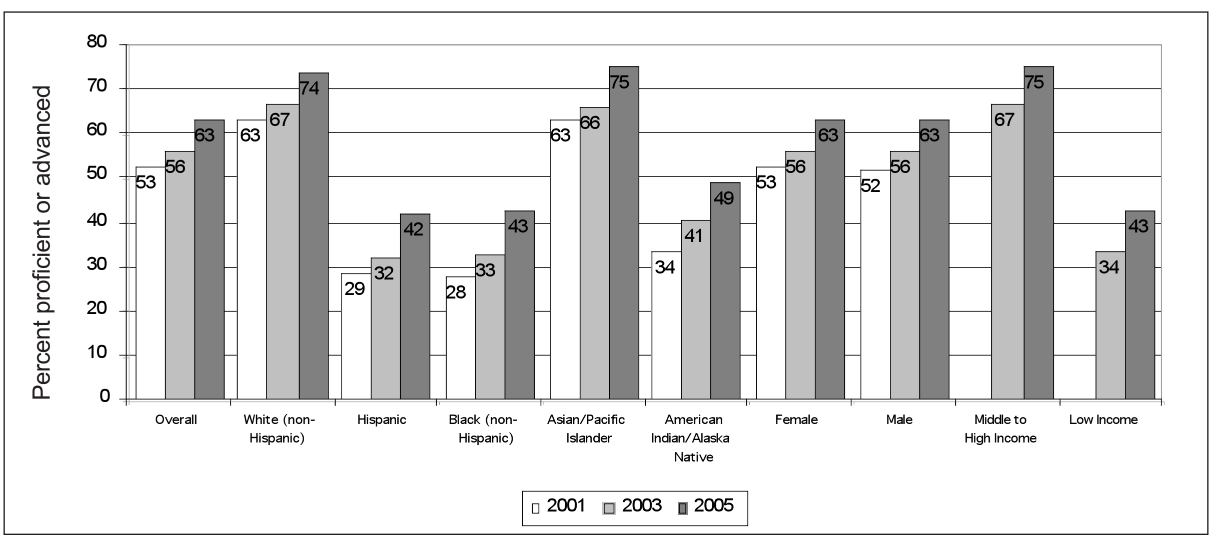
Of Colorado's fifth graders, 63 percent scored proficient or advanced on the CSAP math test in 2005. This represents an 11 point increase since 2001, indicating Colorado has made steady progress since 2001 improving the math skills of fifth-grade students. Still, 37 percent of Colorado's fifth graders have math skills that are considered only partially proficient or unsatisfactory.

Math proficiency levels improved for all races and all income levels. But, as with the CSAP reading test, the fifth-grade CSAP math test exposes significant achievement gaps based on race and income.

- 74 percent of white and 75 percent of Asian American students scored proficient or better, compared to 49 percent of American Indian, 43 percent of African-American and 42 percent of Hispanic students.
- 75 percent of middle- and high-income students scored proficient or better, compared with only 43 percent of low-income students.

Colorado has had success over the past five years improving the math skills of its young students. However, so long as the achievement gap persists between races and income groups, the benefits of this improvement will not be fully shared by those most in need.

Figure 2. Percent of students scoring proficient or advanced on the CSAP fifth grade math test, by race, income and gender, from 2001 to 2005



Source: Colorado Department of Education. CSAP State Disaggregated Summary Results, 2001, 2003, 2005. Note: Data for low-income and middle- to high-income is based on eligibility for Colorado's free or reduced lunch program and data is only available beginning in 2003.
Online: www.cde.state.co.us/cdeassess/csap/as_latestCSAP.htm

Indicator 3: Quality instruction in elementary school

Elementary school class sizes

In smaller classes, teachers can respond better to student needs and students receive more individual attention, leading to higher academic achievement.

The clearest evidence of the positive effects of small class size is in the primary grades. Research shows primary grade children benefit when class size is reduced from an average of 25 to 15 students. In a four-year, large-scale study, small class sizes clearly improved the performance of all children, including low-income and minority children.[1]

Low-income and minority children are less likely to come to school with the skills to succeed. They will gain the most from the close and personal relationships with teachers that small classrooms can allow.[2]

In 1999, the average class size in Colorado elementary schools was 23 students, above the national average of 21 and well above the size research suggests can result in significant improvements in achievement.

We were unable to find more recent reliable data on class size in Colorado. We urge the Colorado Department of Education to provide more recent data in this area.

Qualified teachers

Highly trained and qualified teachers add to the potential for success for elementary school students. Recruiting and retaining good teachers gives Colorado the ability to stay competitive and creative in its education policies.

Research has shown that quality teachers are the most important tools in bridging the achievement gap. Teachers who have command of their subject matter and a broad set of teaching methods are more effective at meeting the diverse needs of students.[3]

In Colorado, 62 percent of teachers majored in the core academic subjects they teach, less than the national average of 64 percent.[4]

In the 2002-03 school year, 95 percent of elementary school teachers in Colorado were defined as highly qualified.

In 2003, 9 percent of all classes in Colorado were taught by teachers who were not considered highly qualified.[5]

While Colorado has a high number of teachers highly qualified in their subject area, that does not necessarily mean each can effectively teach in diverse classrooms.

To become highly effective in the most challenging classrooms, teachers must be trained and practiced in a variety of methods and strategies and develop skills that can help move those students most at risk toward proficiency in reading, math and other subjects.[6]

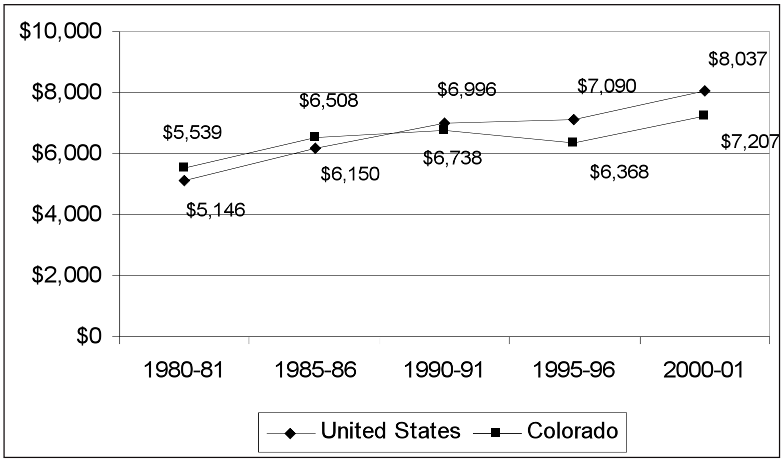
What is Colorado doing?

Funding for K-12 education

Throughout the 1980s, Colorado spending per pupil for elementary and secondary education exceeded the national average. Colorado now spends less than the national average per pupil. Colorado voters approved Amendment 23 in 2000 to guarantee K-12 spending would grow by at least 1 percent over inflation during the following decade.

By approving referenda C and D, Colorado voters have said more should be spent on K-12 education, including class room instruction and the repair of dilapidated school buildings.

Figure 3. Average per-pupil spending for public education, U.S. and Colorado



Source: U.S. Department of Education, National Center for Education Statistics, Statistics of State School NCES Common Core Data (CCD), National Public Education Financial Survey, 1985-86 through 2000-01., August 2003. Note: Dollars adjusted for inflation.

Incentives for teachers

Many states offer incentives such as loan repayment or housing assistance for teachers to work in underperforming schools.

Colorado offers the Loan Incentive for Teachers (LIFT) program for teachers who receive their education at a Colorado college or university and then teach math, science, special education, or linguistically-diverse education. Teachers may qualify for up to $2,000 in college loan forgiveness per year for up to four years.[7] The federal government has a similar program.

In 2005, Denver voters approved ballot question 3A, a $25 million professional compensation package for teachers, offering financial incentives to those who take on difficult subjects or show success in low-performing schools.

Colorado Closing the Achievement Gap Commission

In 2003, the Legislature passed SB03-254 to create the Commission on Closing the Achievement Gap. The appointed commission is to report to the state Board of Education and the Legislature with recommendations for action on program and policy changes to close the achievement gap. The commission issued an interim report in November 2004; a final report is due in December 2005.

The commission outlined key areas for action: improving teacher quality, professional development for teachers, cultural competency programs for instructors, and stronger parent and community involvement.[8]

CSAP tests and school ratings

Colorado law requires that schools rated unsatisfactory in CSAP tests for three consecutive years be converted to charter schools, allowing them to customize curriculum, and teaching methods to meet unique needs of the students. In 2002, the state set rating thresholds, with the lowest 2 percent of schools receiving an unsatisfactory rating, and the next lowest 25 percent scoring schools receiving a low rating.[9]

After 2002, there was no requirement that a certain percentage of schools be rated

What is Colorado doing?

unsatisfactory. Schools move in and out of this category depending on student scores. In school year 2003-04, 13 schools were rated unsatisfactory, down from 32 in 2002-03 and 49 in 2001-02.[10] To date, Cole Middle School in Denver is the only forced conversion to a charter school under the law.[11]

Read to Achieve

Colorado's Read to Achieve program funds intensive reading programs in elementary schools, charter schools and school consortiums. The program is designed for second and third grade students. Activities include academies for reading instruction, after-school literacy programs, summer school clinics, tutoring and extended-day reading programs.

By statute, continued funding for Read to Achieve depends on student performance. To be eligible after three years, schools must show at least 25 percent of students enrolled in the program improved their reading skills to grade level or achieved proficiency on the state reading assessment test.

During the 2003-04 school year, 483 schools received $10 million for Read to Achieve programs, serving 22,000 second and third grade students. From January 2001 through June 2003, 50,481 students participated in Read to Achieve programs. The Legislature's goal for the program was to have 25 percent of these at-risk students score proficient or above on the third grade reading CSAP. Of the 20,210 students who took the CSAP, 10,547 students, or 52 percent, scored proficient or above.[12]

Funding for the program has fallen each year: $1,100 per pupil in FY 2000-01 and FY 2001-02, $950 per pupil in FY 2002-03, $630 per pupil in FY 2003-04, $1,000 per pupil in FY 2004-05 and $327 per pupil in FY 2005-06. Many Read to Achieve sites also use the Reading First program.[13]

Reading First Program

Reading First is a federal grant program to help schools ensure that more children receive effective reading instruction in the early grades. The program provides professional development for teachers and implements research-based reading programs for students in kindergarten through third grade.

The federal Department of Education approved Colorado's six-year plan. The state is eligible for $59 million in federal funds if it meets performance goals. In FY 2005-06, Colorado expects to receive $11.6 million in federal funds for Reading First programs.[14]

What more should Colorado do?

Ballot questions

The passage of Referendum C in 2005 is expected to bring approximately $1 billion more into the public schools by 2010 and to raise overall school funding by at least $250 million a year after that.

Recommendation: The Legislature should carefully target this money for programs that raise performance levels of all students and help close the persistent achievement gaps throughout the K-12 system. These include reading and literacy programs, teacher development and incentive programs, and added slots in the Colorado Preschool Program.

The passage of Question 3A by Denver voters signals an important new willingness to use incentives to attract high quality teachers and to focus on the most vexing performance problems. Voters in other school districts should consider enacting similar measures tailored to their specific situations and unique problems. In addition, helping teachers who choose to teach in low-income

What more should Colorado do?

and under-performing schools repay their student loans could help bring highly qualified instructors to areas that badly need them.

Recommendation: The state should work with the Denver Public Schools to document the performance of its new compensation program, share lessons learned and provide technical assistance to other districts that want to try similar approaches.

Recommendation: The state should expand programs like LIFT to encourage college students to pursue education degrees and develop teaching skills in math, science and English proficiency.

Reading literacy

Proven programs exist that increase literacy skills for targeted groups of students. Training teachers on these scientifically based programs could increase reading proficiency. It is also important to train teachers to be racially and culturally competent so they can work toward closing the achievement gap for minority students.[15] Professional development must be a priority to improve overall teacher quality.

Recommendation: The state should continue to fund and track the success rates of programs such as Read to Achieve and Reading First. And, as we first recommended in our 2002 opportunity report, Colorado should integrate the two reading programs into the state's education infrastructure to provide a seamless approach to early literacy.

Math proficiency

Colorado needs to ensure that teachers are taking coherent approaches to math instruction based on current research on math cognition and learning. To do this, Colorado must recruit and develop teachers who are versed in a practice-based successful math curriculum.[16] Teachers who can teach the "foreign" language of math to students, building their basic arithmetic and logic skills, are essential to educating a new generation of students to succeed in a global economy. Achieving greater success in math proficiency requires federal and local partnerships, performance-based awards for teachers, professional development and a strong system of student and teacher evaluation.[17]

Recommendation: Colorado should invest some of the revenues from Referendum C that are earmarked for public schools to make professional development programs for the state's math teachers more available and affordable.

Achievement gap

Left unchecked, the persistent achievement gap among different groups of students will become an opportunity and prosperity gap when those students become adults. Colorado's top priorities should be to close these gaps and raise overall performance of all students.

Recommendation: The Legislature should carefully consider the recommendations from the Colorado Commission on Closing the Achievement Gap. It should use revenues from Referendum C earmarked for public schools to develop initiatives that can be implemented by school districts across the state to close the gap.

Recommendation: The state should also actively train and develop teachers in proven programs that have worked to close the gap in other states. This should be a top priority for the use of funds made available by the passage of Referendum C.

Getting exercise, eating right and avoiding high-risk behaviors gets children and teens off to the right start in life. A teen who lives a healthy lifestyle is more likely to be a healthy adult and to pass healthy habits on to the next generation. Here, students from Denver School of the Arts take a break after class. Playing hacky-sack, from left, are Brian Rad, Donte Essien and Joella Jones. Enjoying the sunshine are, from left, Justine Schomp and Jenna Moll Reyes.

Establishing a Healthy Lifestyle in Childhood and Adolescence

Establishing a healthy lifestyle in childhood and adolescence is our fourth gateway to a life of opportunity. Kids who develop healthy habits early are more likely to enjoy good health throughout their adult lives and into their senior years than kids who develop unhealthy habits.

Sound physical and mental health in childhood and adolescence are important to building self esteem and to establishing the habits of a lifetime.

Teens who establish healthy lifestyles and have their mental health and substance abuse problems addressed early are likely to experience greater physical and mental health in adulthood, leading to long and productive lives and careers.

Those who do not establish healthy lifestyles or who do not address developing mental illnesses early are more likely to encounter debilitating and costly health problems in adulthood, curtailing their productivity and the quality of life for them and their families.

Indicator 1: Percentage of children and adolescents who are overweight.

Overweight or obese kids are likely to become overweight or obese adults who suffer greater health challenges, reduced productivity and shorter lives.

Indicator 2: Depression among Colorado teens.

Depression is often debilitating – it can hurt a child's ability to succeed in school and in social networks and can lead to self-destructive behavior, including suicide, or serious mental health problems in adulthood.

Indicator 3: Access to treatment for serious emotional and behavioral problems.

Without access to effective and affordable treatment, kids with serious emotional and behavioral problems suffer at school and in the home, and end up in child welfare or youth correction programs.

Indicator 4: Drug, alcohol and tobacco use and abuse.

Tobacco, drug and alcohol use in the teen years can lead to a lifetime of addiction and abuse and can cause life-threatening health complications.

Indicator 1: Percentage of children and adolescents who are overweight

Even though Colorado is one of the leanest states in the country, the portion of children and adolescents who are obese or overweight is increasing. Being overweight or obese can impact the mental, social and physical well being of a child.

Illnesses associated with being overweight now outrank smoking and drinking in their adverse effects on health and health care costs. According to the U.S. Surgeon General, an overweight or obese child has a 70 percent chance of becoming an overweight or obese adult.

In 2003, more than 20 percent of high school students in Colorado were either overweight or at risk for becoming overweight.[1] A 2004 survey conducted by the Colorado Department of Public Health and Environment found that nearly 15 percent of children aged 2-14 were overweight.[2]

Overweight and obese kids face a higher risk of developing debilitating chronic diseases such as high-blood pressure, type 2 diabetes and heart disease. Overweight and obesity can also lead to social stigmatization, academic and job discrimination, lower self-esteem and depression.

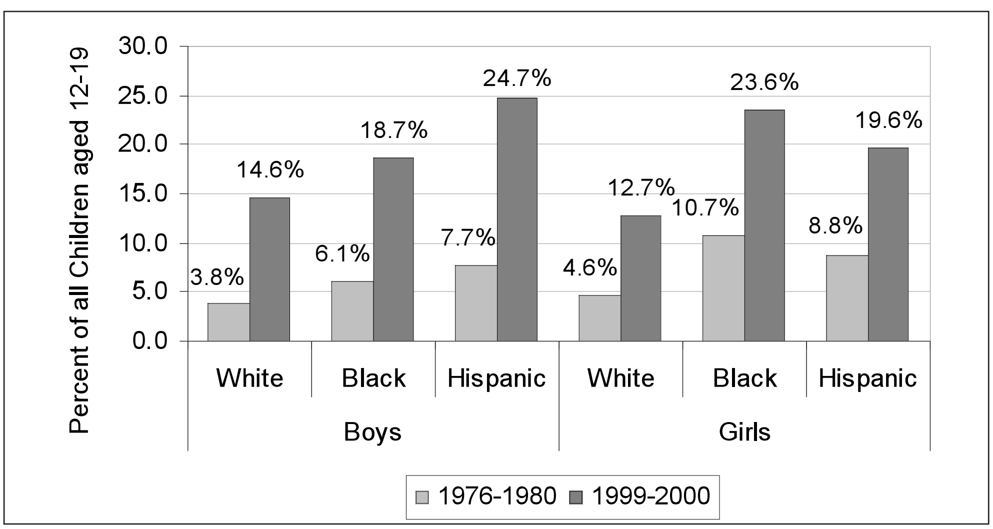
Nationally, the percentage of overweight teenagers increased dramatically in the last two decades of the 20th Century. The rate among boys of all races more than tripled, while the rate among girls more than doubled. By 2000, nearly a quarter of the nation's Hispanic boys and African-American girls were overweight.

According to the U.S. Surgeon General, the economic cost of obesity in the United States was about $117 billion in 2000. The U.S. Centers for Disease Control estimated the costs of obesity in Colorado at $874 million a year between 1998 and 2000.[3]

Today's youth eat worse and are more sedentary than previous generations. Kids get less physical education in school, eat food high in fat and low in nutritional value, and spend more time in front of the television or computer.[4]

The Surgeon General reports that children in low-income and minority families are at a higher risk for becoming overweight or obese. The reasons for this are not entirely clear, though it is possible that higher rates of poor nutrition and limited physical activity can be found in some low-income neighborhoods.

Figure 1. Overweight children age 12-19 in the U.S. by race and gender



Source: U.S. Department of Health and Human Services, Centers for Disease Control, National Center for Health Statistics. "Health, United States 2004". p 245.

Indicator 2: Depression among Colorado teens

Depression can lead to serious problems for children and adolescents, including breakdowns in relationships, poor academic performance and even suicide.

Depression often leads to a life with fewer educational and work opportunities, fewer friends and a continuing sense of hopelessness.[5]

According to the Youth Risk Behavior Survey conducted by the Colorado Department of Public Health and Environment for the Centers for Disease Control in 2003, 25.6 percent of high school students surveyed reported they had felt so "sad or hopeless" at some point that they had stopped doing usual activities.

More troubling, 18.6 percent (nearly one out of every five students) reported they had "seriously considered suicide" during the preceding year, and 14.6 percent had actually made a suicide plan during the preceding year.

The suicide rate among Colorado teens is high compared to the national average. Suicide is the second leading cause of death for those aged 15 to 19 years old in Colorado. It accounts for 17 percent of all deaths for this age group.[6]

Depression is treatable, and kids who get help have a better chance of living happier and more productive lives.

Many intervention and treatment programs are successful and many others show great promise. Cognitive behavioral therapy and the use of safe and effective drugs can help kids who are at risk for severe depression and suicide.[7]

According to a comprehensive study done by the Surgeon General's Office, minority children have less access to mental health services and receive poorer quality care. In addition, the report states that low-income children have a higher risk for developing mental illness and receive less care.[8]

Mental health is as important as physical health

"When we think about a healthy start, we often limit our focus to physical health. But, as clearly articulated in the Surgeon General's Report on Mental Health, mental health is fundamental to overall health and well-being. And that is why we must ensure that our health system responds as readily to the needs of children's mental health as it does to their physical well-being."

– David Satcher
former U.S. Surgeon General

Report of the Surgeon General's
Conference on Children's Mental Health:
An Action Agenda
2000

Indicator 3: Access to treatment for serious emotional and behavioral problems.

Some children and adolescents have emotional or mental health problems so severe that their functioning is significantly impaired or they can't live at home. This condition is known as serious emotional disturbance, or SED. Kids with SED can suffer from hallucinations, delusions, mania, depression and severe anxiety.

Early treatment for SED helps many kids stay in their homes and in school. For many, it improves quality of life and increases their potential to grow into productive adults.

But treatment is expensive and not often covered by health insurance. Because of the cost and lack of coverage, public officials assume that any child with SED who lives in a household with income less than 300 percent of the federal poverty level is likely to need public services for treatment.

A study funded by the state Legislature estimated that in 2000 there were 67,822 youth with SED in Colorado living below 300 percent of poverty. Of those, 37,781 were receiving services, or 56 percent, while 30,041, or 44 percent, were not.[9]

Kids with untreated mental illness often end up in the juvenile justice system.[10]

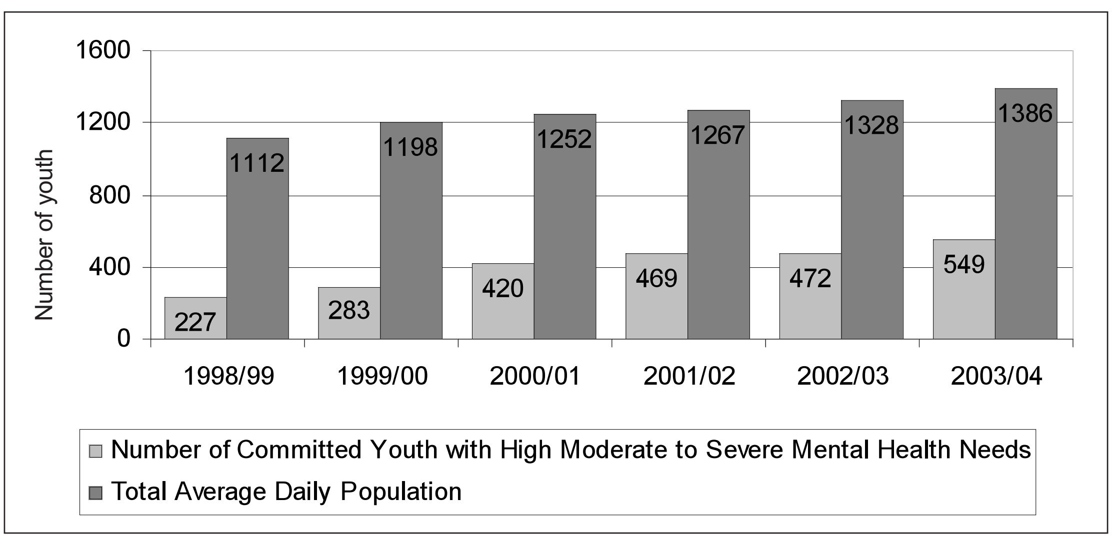
From 1998-99 to 2003-04, the number of youth committed to the Department of Youth Corrections who were diagnosed to have moderate to severe mental health needs increased by 142 percent.

By comparison, the average daily population in the juvenile corrections system increased by less than 25 percent. In 2003-04, 40 percent of committed youths had moderate to severe mental health needs.[11]

According to the staff of the Joint Budget Committee, it is possible that budget reductions to prevention and intervention programs in recent years pushed up the number of youth being committed to the Division of Youth Corrections. The growth is disproportionately high among youth with mental health needs.

When mental health problems are not picked up early, they can lead to serious problems that are not addressed until the child gets into trouble. Treating at-risk youth early helps keep them out of the juvenile justice system and keeps the doors of opportunity open.

Figure 2. Average daily population of youth in corrections and youth in corrections with mental health needs.



Source: Colorado Division of Youth Corrections. "2005-06 Staff Budget Briefing." 2005.

Indicator 4: Drug, alcohol and tobacco use and abuse

Studies show the age when a person first uses alcohol is a powerful predictor of the potential for lifetime alcohol abuse and dependence.

Adolescents who use alcohol before the age of 15 are more likely to abuse it later in life compared to those who first use alcohol at age 21 or older.[12] Adolescents can become addicted to substances more quickly than adults.

Substance abuse has been shown to negatively impact school performance, and often co-exists with other mental health problems such as depression.[13]

Alcohol abuse and drug and tobacco use all have serious health effects that can greatly reduce a person's quality of life and productivity, and frequently lead to premature disability or death.

In 2002-2003, just over 20 percent of Colorado kids aged 12-17 who were surveyed reported that they had used alcohol during the preceding month.

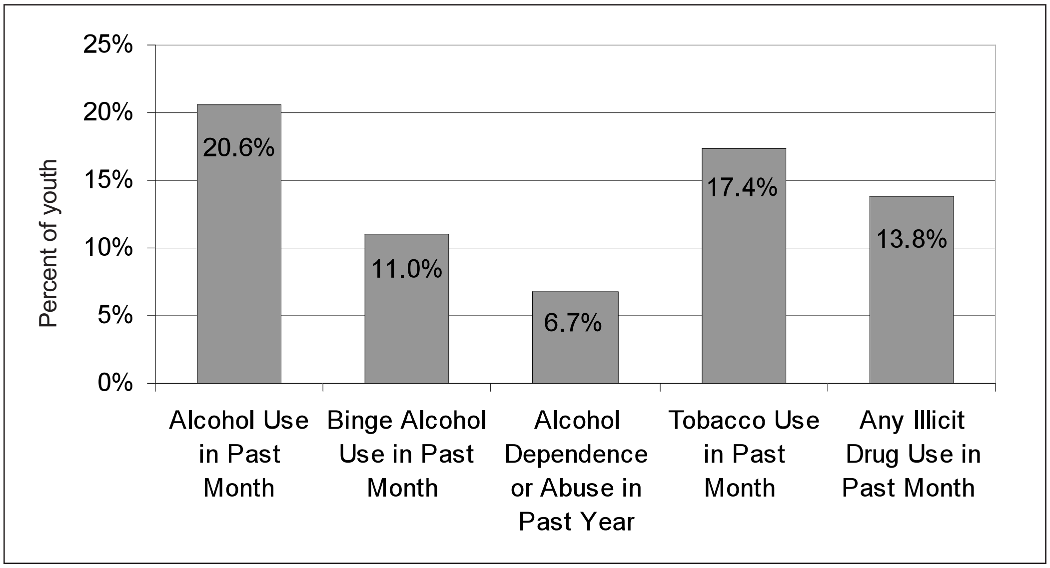
Eleven percent reported binge drinking during the preceding month, and nearly 7 percent reported alcohol dependence or abuse within the preceding year.

In that same survey, over 17 percent reported using tobacco and nearly 14 percent reported using illicit drugs during the preceding month.

These numbers were high compared to the national average. Colorado showed the seventh highest rate of illicit drug use, the 11th highest rate for alcohol use, the 14th highest rate for tobacco use and the 15th highest rate for alcohol dependence or abuse.

Kids who take part in risky behavior like alcohol, drug or tobacco use increase their risk for using or abusing alcohol and drugs later in their life. Of course, some will experiment and stop, but some will develop dependencies or move on to other substances.

Figure 3. Substance use and abuse among Colorado youth aged 12-17, percent of total youth population



Source: United States Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Office of Applied Studies. "Substance Use from the 2002-2003 National Surveys on Drug Use and Health." 2005.

What is Colorado doing?

Overweight and obese youth

The Colorado Department of Public Health and Environment developed the Colorado Physical Activity and Nutrition Program. It recommends that schools:

- Require students to participate in at least three hours and 45 minutes of moderate to vigorous physical activity each week.
- Serve students fruits, vegetables and whole grain foods.
- Update staff on nutrition guidelines.[14]

In 2004, the Legislature passed SB 04-103, recommending that by 2007, at least half the foods in school vending machines meet strict nutritional guidelines.

Mental health care

Colorado provides little state funding for mental health programs for children or adults. Adjusted for inflation and population growth, public mental health spending in Colorado fell by 8 percent from 1980 to 2001.[15] In 2001, Colorado spent $64 per capita for public mental health services, 21 percent below the U.S. average of $81 per capita.[16]

The high cost of mental health care has forced some parents to relinquish custody to the state so their children can be treated for mental illness. The National Alliance for the Mentally Ill reports that nationwide, 20 percent of families with children with mental illness relinquished custody so their child could receive services.[17] The Bazelon Center for Mental Health Law reports that Colorado is one of the six states with the most frequent incidence of custody relinquishment.[18]

In 1999, the state Department of Human Services used a federal grant to create the Colorado Cornerstone Initiative. The project uses a community system of integrated care to serve families with children who have serious emotional disorders and are at risk for involvement in the juvenile justice system.

Cornerstone operates in Denver, Jefferson and Clear Creek counties, and served 311 families up to 2003. Data shows that after just six months in the program, enrolled youth showed improvement in their school performance and overall mental health.[19]

Substance abuse and juvenile diversion

Colorado uses federal funds to pay for community programs that focus on prevention, intervention and treatment of substance abuse, particularly for programs that target low-income and minority youth. The block grant paid for $4.3 million in services in FY 2003-4 and $4.5 million in FY 2004-05.[20]

With shortfalls in state general fund revenues, state-run intervention and prevention programs for youth have been cut or eliminated. They include:

- The Tony Grampsas Youth Services program: funds local prevention and intervention programs for at-risk youth and their families, including early childhood education, youth mentoring, student dropout prevention, and juvenile diversion programs. The state funded the program at $7.2 million in FY 2000. Funding fell to $3.5 million by FY 2005.
- Community Accountability program: A short-term program based on restorative justice, aimed at youth making the transition from juvenile corrections back into the community. The program still exists in statute, but there is no funding for it.
- Juvenile diversion programs: In 2002, Gov. Owens vetoed $2.5 million in juvenile diversion programs that funded community based alternatives to incarceration and support and treatment for at-risk youth. Some programs in large cities survived using local dollars, but some programs in smaller cities and towns were eliminated.[21]

What more should Colorado do?

Overweight and obese youth

Colorado has made a good start with legislation that encourages schools to limit unhealthy snacks sold in vending machines on campus, along with the Colorado Physical Activity and Nutrition Program and its recommendations. Colorado should continue to monitor the effectiveness of these efforts.

Recommendation: Local school districts should ensure students are participating in moderate to vigorous physical activity consistently throughout the school year, and they should train teachers and administrators to understand and implement programs that promote physical fitness and healthy eating habits.

In Arkansas, a statewide effort in 2003 measured and collected weight and height data for public school students. The results showed an alarming rate of overweight and obesity in Arkansas' children, with higher rates for minorities.

In response, community organizations, school districts, civic leaders and nutrition experts created a blueprint to address overweight and obesity through Arkansas public schools. This initiative has been widely praised for raising awareness and for giving schools and parents useful tools to change the eating and exercise habits of children.[22]

Recommendation: Colorado should explore a statewide school-based program to measure and collect weight and height data for students to better understand the scope of the problem.

The program should also inform parents of the health status of their children and provide parents with information on improving fitness and eating habits.

Mental health care

State funding for mental health programs for youth falls far short of need. Among other things, this means too many youth with mental illnesses end up in the juvenile corrections system – a costly and potentially destructive outcome. The state should do much more to support early detection and community-based treatment programs. HB 05-1350 authorizes the use of some money retained under Referendum C for such mental health programs.

Recommendation: The state should dedicate funds from Referendum C to expand those community-based mental health programs that work to meet more of the need. As a start, the state should attempt to raise its investment in mental health to a level much closer to the national average.

The Colorado Cornerstone Initiative helps improve the school performance of kids at risk for mental health problems and keeps kids out of the juvenile justice system. Currently the program is only available in three counties and is funded through a federal grant to the Colorado Department of Human Services.

Colorado's children with mental illness or at risk for developing mental illness are best served in community-based programs. Too many are moving through the corrections system instead. Prioritizing funding for programs that provide prevention, intervention and treatment, such as the Cornerstone Initiative, could keep kids out of the juvenile justice system and improve their home and school life.

Recommendation: Colorado should support expansion of programs like the Cornerstone Initiative to other parts of the state. The Legislature should explore a state-run program that could provide a comprehensive, community-based streamlined system of care that targets at-risk youth.

A chemistry class teaches high school students about the mineral and organic building blocks of our planet. A high school diploma, and the skills and knowledge it represents, is an essential building block for a successful life. Here, Denver School of the Arts students work on a chemistry assignment. They are, at front, Ajala Bandele and Olivia Hendrick with Assistant Principal Rory Pullens, and at rear from left, Danzal Hollis, Jordan Geiger and Anne Joy.

Leaving High School with a Diploma and the Skills to Succeed

Graduating from high school not only marks the beginning of one's passage to adulthood, it is an increasingly critical milestone on the road to opportunity.

A high school diploma represents the successful acquisition of the knowledge and skills needed to function in the working world and to pursue further education and training.

A person who graduates from high school with the skills to succeed is more likely to go to college, obtain a postsecondary degree and be able to earn a self-sufficiency income. While a high school diploma itself often is not enough to succeed in the 21st Century workforce, it is an essential step along the way.

A person who does not graduate from high school or acquire the skills a high school diploma represents will have far fewer employment options and is likely to earn a much lower income than is needed to be self-sufficient, or to secure a place in the cycle of opportunity.

Indicator 1: High school graduation rates

A high school diploma is the minimum level of education needed to enter jobs that pay self-sufficient wages. Those who graduate from high school are more likely to go on to college.

Indicator 2: Proficiency on the 10th grade math CSAP test

Math achievement in high school is a good predictor of whether a student will go on to post secondary education or training.

Indicator 3: Performance on the 11th grade ACT test

One of the biggest barriers to a college education is not being prepared to do college level work. The 11th grade ACT test is a good measure of Colorado students' readiness for college.

Indicator 4: Access to and success on advanced placement tests

Taking and passing advanced placement tests to earn college credit while in high school is a measure of students' readiness for college, and a way to trim the cost of a college education.

Indicator 5: General education degrees awarded as a percentage of adults without a high school diploma

The GED represents a second chance to get back on the path of opportunity for those students who did not graduate from high school through the traditional process.

Indicator 1: High school graduation rates

Graduating from high school carries personal and social benefits. On average, workers with a high school diploma earn $7,000 per year more than those without a high school diploma. In addition, a high school diploma means a student is more likely to attend college.

The Urban Institute (gray bars in Figure 1) projects Colorado high school graduates in 2003-04 who received a regular high school diploma. The projection is based on the Cumulative Promotion Index, which measures the rate that students move through high school starting in ninth grade.[1]

The Urban Institute projects that 69 percent of Colorado high school students graduated in 2004, while the Colorado Department of Education puts this number at 82 percent.

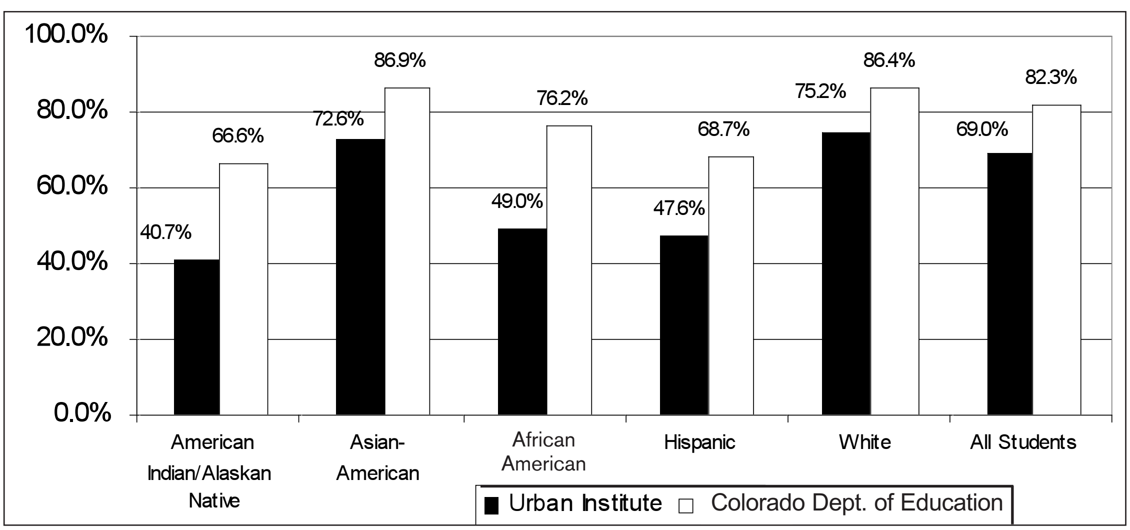
Both sets of data show that African American, Hispanic, and American Indian students are less likely to graduate from high school than white or Asian American students. In fact, the Urban Institute reports that less than half of African American, Hispanic and American Indian students will graduate from high school at all.

The largest gap in graduation rates using the Urban Institute data – 34 percent – is between white and American Indian students. While 75.2 percent of whites graduate, only 40.7 percent of American Indian students do so.

The Colorado Department of Education data is based on the number of graduates in 2004 compared to the number of eighth graders enrolled four years earlier, adjusted for students who transferred in and out during grades nine through 12.[2] In this report, we use the graduation rate calculated by the Urban Institute because we believe it is more accurate.

Clearly, a significant segment of students face barriers to high school graduation. Without a high school degree, these young people risk missing a rung on the ladder of opportunity. They will not be adequately prepared for jobs that pay a self sufficient wage, and will need remedial education in order to go to college or trade school.

Figure 1. Comparative Colorado high school graduation rates, by ethnicity, 2004



Sources: Projections of 2003-04 High School Graduates: Supplemental Analyses based on findings from *Who Graduates? Who Doesn't*, Christopher B. Swanson, Education Policy Center, The Urban Institute, and Class of 2004 Graduation Data, Colorado Department of Education.

Indicator 2: Proficiency on the 10th grade math CSAP test

Graduation is important. But it is equally important that students gain the necessary knowledge and skills to succeed in higher education and the workforce.

Math achievement in middle and high school is a good predictor of a student's preparation for postsecondary education or training.

In 2005, only 30 percent of all students scored proficient or advanced on the 10th grade math CSAP test. That leaves 70 percent scoring at only partially proficient or unsatisfactory.

Although there has been some improvement on this test since our 2002 report, the results raise serious concerns about the math skills of Colorado students.

Even with low scores overall, significant gaps by race and income also show up on 10th grade math scores.

In 2005, only nine percent of African-American and Hispanic and 16 percent of American Indian students scored proficient or advanced compared to 42 percent of Asian American and 37 percent of white students.

On the same test, 11 percent of low-income students scored proficient or advanced compared to 35 percent of middle- and high-income students.

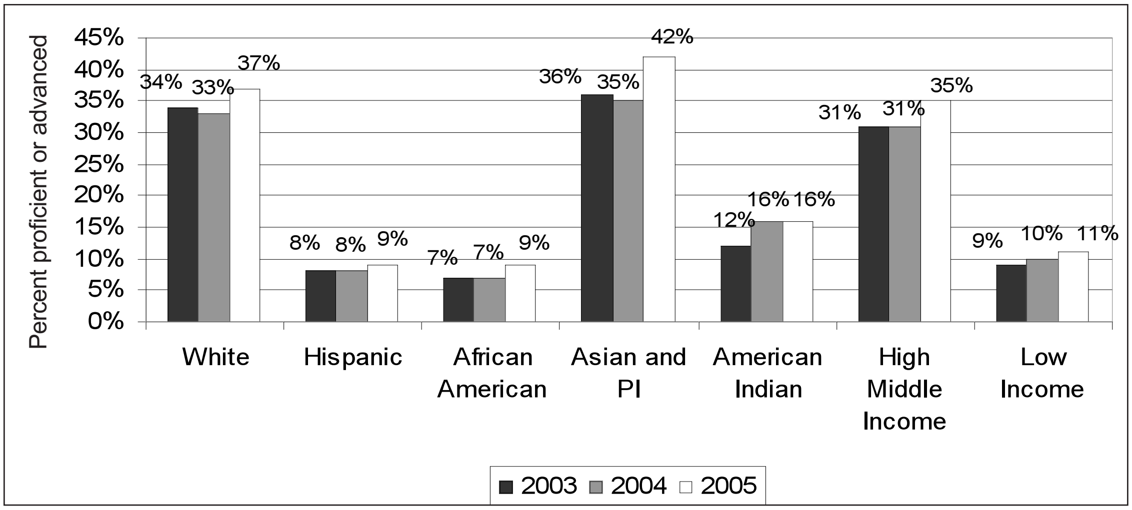
These test results suggest significant numbers of Colorado students are not adequately prepared for college or postsecondary training. If students don't earn a postsecondary degree or certificate, their opportunities for economic and social success in life will be limited.

Failing to prepare students for a postsecondary education also hampers Colorado's ability to compete in the global economy. We need more Colorado students to successfully complete college or other postsecondary training so the quality of our workforce can meet the demands of future economic growth.

Technology industries in particular, which are likely to be important drivers of future economic growth, require workers skilled in math.

To expand Colorado's educated workforce, we must get more students into and through college, including kids from minority and low-income families. The 10th grade math scores indicate these students often are the least academically prepared to succeed in postsecondary education.

Figure 2. Percent of students scoring proficient and advanced on the 10th grade math CSAP test, by race and income, 2003-2005



Source: "CSAP Summary Data 1997-2005", Colorado Department of Education

Indicator 3: Performance on the 11th grade ACT test

The ACT test is a college entrance examination that measures the academic performance of students and their readiness for college-level work. Scores range from a low of 1 to a high of 36. Since 2001, Colorado has administered the test to all 11th graders in public schools.

The average composite ACT scores for Colorado 11th graders were 18.8 in 2004 and 19 in 2005, fairly constant since our 2002 report.

Research carried out by the ACT shows that students with test scores between 17 and 20 are typically eligible to attend only those colleges that have an open admission policy, meaning they accept all high school graduates who apply. ACT considers students with test scores below 17 to not be prepared for college level work.[3]

Because the test is administered to all 11th graders enrolled in Colorado public schools,[4] regardless of whether they intend to go to college, its results are different from the scores that ACT reported for Colorado's graduating classes of 2003 and 2004.

The results are also different from the ACT scores reported nationally. These scores include the tests voluntarily taken by students who presumably are planning on going to college and thus are skewed toward more academically advanced students.[5]

There are gaps in performance on the ACT between students of different races and family incomes. Asian American and white students score higher than American Indian, African-American, Hispanic and Mexican-American students. Students from middle- to high-income families scored higher than those from low-income families. The largest gaps in 2004 and 2005 occurred between white and Mexican-American students.

This data further demonstrates that large segments of students are not adequately prepared for college.

Table 1. ACT Scores for Colorado 11th graders, 2004 and 2005

	2004		2005	
Student Categories	**No. of Students**	**Score**	**No. of Students**	**Score**
All students	47,412	18.8	47,568	19.0
African-American	1,534	15.3	1,669	15.5
American Indian	1,051	16.3	1,081	16.6
White	24,782	20.6	24,305	20.8
Mexican-American/Latino	3,266	14.7	3,419	15.0
Asian-American/Pacific Islander	1,349	19.6	1,471	19.9
Puerto Rican/Cuban/Hispanic	3,237	16.3	3,495	16.5
Other	1,054	16.7	1,009	16.9
Multiracial	1,653	19.4	1,678	19.3
Male	23,515	18.6	23,246	18.6
Female	23,144	19.1	23,620	19.4
High and middle-income	41,595	19.3	41,200	19.6
Low-income	5,817	14.6	6,368	14.9

Source: Colorado Department of Education, Colorado ACT Results.
Note: Racial categories as reported by ACT.

Indicator 4: Access to and success on advanced placement tests

High school students can take a set of college-level advanced placement (AP) courses. If they score a grade of 3, 4 or 5 on a final exam, they can receive college credit for the course. This is another measure of the readiness of Colorado students for college level work.

Obtaining college credit for AP coursework also saves students money, since they won't have to pay for those classes or credits once they get to college.

In 2003 and 2004, Colorado public and private high school students exceeded national averages for the number of students taking AP exams and for scoring 3 or higher. The number of AP exams taken by Colorado students increased by 31 percent since 2001.

The data show that about 25 percent of Colorado high school students take at least one AP exam, and that 16 percent score a 3 or better, high enough to get college credit.

Because some students take more than one AP exam, we can't determine the total number of students who qualify for college credit. However, it is clear that many Colorado high school students are getting a leg up on their college education while still in high school.

Most Colorado students who take AP exams are white. They were more than 80 percent of the test takers from 2001- 2004.

Many minority students whose parents have not gone to college and who attend high schools with inadequate counseling may be unaware of the AP program or be discouraged from enrolling.[6]

The College Board, sponsors of the AP, encourages schools "to make every effort to ensure that their AP classrooms reflect the diversity of their student population." To help in this process, the College Board provides a free online assessment tool that uses results from the Pre SAT test to identify potential AP students.[7]

Much like the race and income gap found on CSAP tests, there is also a gap among students who score 3 or above on AP exams.

About two-thirds of white students score a 3 or better, compared to about half of American Indian and Hispanic students and a little over one-third of African-American students.

We need to do a better job of preparing minority students for college-level work. Adequate preparation for college is critical to each student's ability to access the cycle of opportunity. Second only to cost, lack of preparation is the largest barrier to a college education or technical training for most low-income and minority students.

Table 2. Percent of Colorado students who took AP examinations and scored 3 or higher, 2001-04

Racial Categories	2001	2002	2003	2004
American Indian	38	59	46	54
Asian American	61	62	61	60
African-American	33	39	37	35
Hispanic (all)	52	51	52	49
Other	58	65	63	59
White	65	68	65	66
Total	63	66	63	63

Source: Bell Analysis of data reported in the 2001 through 2004 summary reports published by the College Board.

Table 3. The number of advanced placement exams and scores of 3 or above per 1,000 11th and 12th graders, 2001 to 2004

	2001		2002		2003		2004	
	Exams	3+ Scores	Exams	3+ Scores	Exams	3+ Scores	Exams	3+ Scores
CO	194	123	212	140	237	152	254	163
U.S.	197	121	212	134	225	138	228	140
Rank	15	14	17	14	14	13	13	12

Source: Bell analysis of data reported in the 2001 through 2004 summary reports published by the College Board. Online: www.collegeboard.com/student/testing/AP/exgrd_sum/2004.html

Indicator 5: General education degrees awarded as a percentage of adults without a high school diploma

For those students who don't earn traditional high school diplomas, the general education degree (GED) offers another way to secure a high school degree.

The number of people who passed the GED test in Colorado in 2003 equaled 2.6 percent of the adults in Colorado who did not have high school diplomas. This exceed the passage rate nationwide.

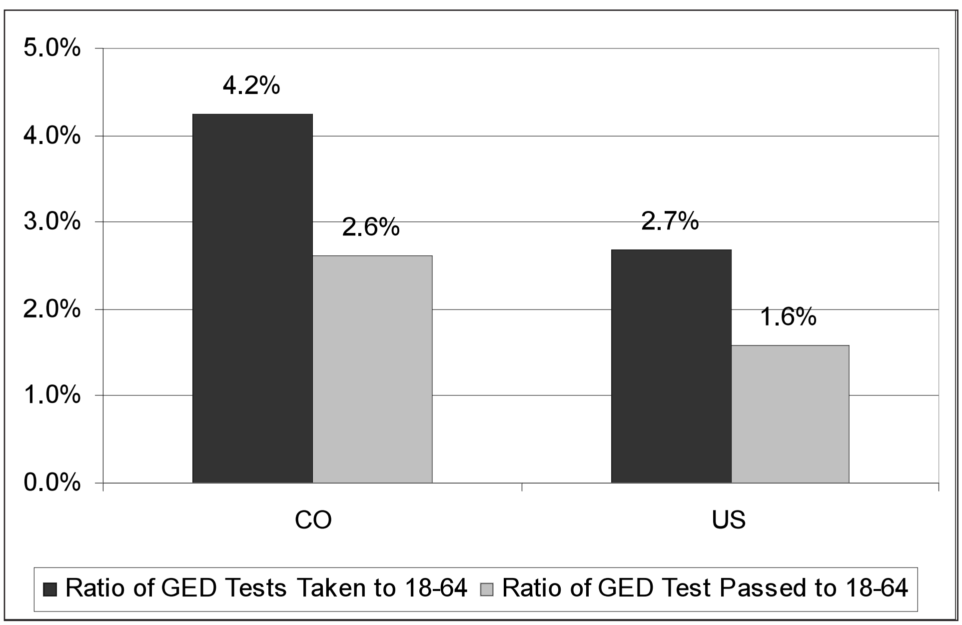
According to the Colorado Department of Education, half of those who took the GED in 2003 were white, 34 percent were Hispanic, 9 percent were African-American, 2.7 percent were American Indian and 1.5 percent were Asian American. The remaining 1.8 percent fell into other racial and ethnic categories.

The target population for GED testing is adults who did not graduate from high school. Most adults who pass the GED are relatively young and recently out of school. Nationally, the average age of people who passed the GED test is 24, and 61 percent were last enrolled in school within the previous five years.[8]

For 2003 to 2004, if we compare the number of people in Colorado who passed the GED test with the number of adults in Colorado aged 18 to 24 without high school diplomas, the percent climbs to 11.2 percent.

The GED is a viable way for adults who left high school without graduating to get back on the path to opportunity.

Figure 3. Percent of GED tests taken and passed per number of adults aged 18-64 without a high school diploma, 2003-2004 average



Sources: Bell calculations based on data from Current Population Survey, Annual Economic Supplement 2004 through 2005, U.S. Census Bureau; GED Testing in Colorado 1993 through 2004, Colorado Department of Education; Target Population of Adults Without High School Diplomas, 2003 GED Statistical Report, American Council on Education.

What is Colorado doing?

Graduation rates

With the class of 2004, the Colorado Department of Education began calculating graduation rates using the State Assigned Student Identifier (SASID) system, which tracks students individually. The class of 2007 will be the first group of students tracked individually from eighth through 12th grade. This system should result in more accurate calculations of graduation rates.

In 2005, the Legislature passed SB05-091, which sets a standard method for calculating dropout rates throughout the state. This will provide policy makers and the public with consistent data on dropout rates and ensure that problems are not masked by flawed measures.

The Legislature also passed SB05-164, which requires schools to send written notice to parents of students who stop attending high school, and another bill, HB05-1024, creating a grant program for donors to fund before and after school programs to keep kids interested in school.

The state's Expelled and At-Risk Services program gives grants to schools and other organizations to help provide educational, vocational, social and emotional support to expelled or at-risk students so they will remain in or return to school.

It is a statewide effort aimed at reducing dropout rates and improving high school graduation rates. During the 2003-04 school year, this program served 8,779 students. Funding for the program grew by $994,321, or 18 percent, from FY 2000-01 to 2004-05. Funding remained the same for FY 2005-06.

Local schools receive more than 60 percent of their funding from the state, up from 40 percent in the 1980s. Colorado allocates funds to school districts through a formula in the School Finance Act. Each school district receives the same basic amount per pupil, which is then augmented by several factors including the proportion of at-risk students in the district.

In fiscal year 2005-06, per pupil funding is expected to range from $5,689 to $13,393, depending on each district's property value. The statewide average is $6,164 per pupil.

In 2005, with SB05-200, the Legislature increased the amount of money school districts receive for at-risk students by expanding the definition of at-risk students and increasing funding for the at-risk factor.

Math proficiency

The results of the 2005 CSAP tests show a gradual improvement in math scores at all grade levels including 10th grade. However, even with this improvement, less than half of all students test proficient or advanced on the 10th grade math CSAP. A little more than 10 percent of minority and low-income students test at this level.

The state Board of Education is reviewing math standards. In July, the Colorado Department of Education released *The State's Prime Numbers*, a study of math instruction throughout the state that recommends action to improve math education.[9]

Academic preparation

One barrier to a college education is the lack of academic preparation in high school.

In October 2003, the Colorado Commission on Higher Education (CCHE) mandated that for students to be eligible for admission to four-year colleges and universities governed by the CCHE, they must take a pre-collegiate curriculum. (The exception is Metro State College, which has a modified open enrollment policy.)

CCHE's mandate is to be applied in two phases. The first phase is for students who graduate in 2008 and 2009; the second phase is for students who graduate in 2010 and after. The '08 and '09 graduates are required to take 15 units of specific courses, roughly equal to one year of credit. The 2010 and after graduates must take 18 units, including a foreign language.

What is Colorado doing?

In 2005, the Legislature passed HB05-1057 and directed the CCHE to notify parents of students about the courses required for college admission, added tuition costs if a student needs remedial education, and the amount of the in-state student stipend available through the College Opportunity Fund.

Meanwhile, the Colorado Children's Campaign convened a group of bipartisan local and state leaders, called the Colorado Commission for High School Improvement, to study the strengths and weaknesses of the state's high school system.

In its preliminary report issued in January 2005, the commission recommended requiring all students to apply to a postsecondary institution, taking a P-16 (preschool through college graduation) approach to education, enhancing school-level flexibility and improving the data used to assess high school performance.[10]

What more should Colorado do?

Expelled and At-Risk program

Colorado's Expelled and At-Risk Student Program is the only statewide initiative aimed at reducing dropouts and encouraging expelled students to return to school. It should be adequately funded to meet the needs of Colorado students.

Recommendation. Referendum C provides additional funds for the Legislature to increase support for this valuable program. Reducing dropouts is critical to providing opportunity for young people and improving the quality of Colorado's workforce.

Dropout prevention programs

Reducing dropout rates, particularly among students from low-income and minority families, is an important goal for improving Colorado's educational system.

Recommendation: The Legislature should evaluate before- and after-school grants for arts and vocational programs. If they prove to be successful at reducing dropout rates, the Legislature should appropriate state funds to support this effort and expand its reach statewide.

10th grade math scores

Even though 10th grade math scores have improved slightly over the course of the last four years, much more needs to be done, particularly for low-income and minority students. CDE's *Prime Numbers* report outlines a series of valuable recommendations for improving math instruction.

However, this issue needs much greater attention from policy makers, opinion leaders and the public. Just as the governor, state Board of Education and others have made early reading success a goal, Colorado needs a parallel effort to raise math performance for all students. Nothing less than our ability to compete in an increasingly global, high technology economy is at stake.

Recommendation. The governor should appoint a special commission on math education to recommend ways to improve student performance in high school math. It should include high school educators, university faculty, business and community leaders and policy makers. The commission should examine all aspects of math education and identify practices found to be effective in schools in Colorado and around the nation and world.

What more should Colorado do?

P-16 education concept

About 30 percent of all high school students fail to graduate and another 30 percent fail to enroll in a postsecondary training program within one year of leaving high school. Too many of these students are from low-income and minority families. It is at these important transition points that individuals can fall out of the cycle of opportunity.

Colorado should better integrate its education system beginning with preschool and extending through college. Commonly referred to as "P-16" systems, such an approach holds the promise of closing achievement gaps and preparing more students to go to and succeed in college.

Recommendation: Colorado should redesign its educational system to better integrate curriculum, standards, and entrance and exit criteria from preschool through college graduation. Such a P-16 system emphasizes preparing students for the next educational level and easing the transition from one level to the next.

College credit for high school students

Giving students an opportunity to qualify for college credit while still in high school has been demonstrated to lower drop-out rates, improve high school performance among at-risk students and increase the number of low-income and minority students who go on to college. It also reduces some of the costs for college and is a step in the process of implementing a P-16 system.

There are several ways to accomplish this: expanding pilot programs that allow high school students to simultaneously enroll in college classes, expanding advanced placement and international baccalaureate programs, and changing the rules to allow students to attend a fifth year of high school at a community college.

Recommendation: Colorado should pursue policies allowing students to take postsecondary education and training early in their educational career. Referendum C revenues should be used for this purpose.

Recommendation: School districts in Colorado should embrace the College Board's Equity Policy Statement and make every effort to ensure that their AP classrooms reflect the diversity of their student body.

Colorado Commission for High School Improvement

High schools in Colorado face a number of challenges including the changing demographics of students, the expectation that they prepare all students for postsecondary education and the need to reduce dropout rates and increase graduation rates.

Recommendation: The governor, Legislature and other education policy makers should carefully consider the recommendations offered by the Colorado Commission for High School Improvement during the 2006 legislative session.

Information online:

Colorado Department of Education: www.cde.state.co.us
Colorado Commission on Higher Education: www.state.co.us/cche
Colorado Commission for High School Improvement:
www.coloradosmallschools.org > Resources > "Raising the Bar"

Students at Metro State College in Denver learn the fine art of dicing vegetables in chef Michael Wray's Healthy Cooking class. From left, Richard Wagner, Janelle Chaney, Latonia Howard and Rafael Leal practice properly positioning their fingers and balancing the size of diced ingredients for fresh salsa. The four are studying to be restaurant chefs or managers through Metro's Department of Hospitality, Meeting and Travel Administration.

Access to Education and Training for Adults

High school graduates who have access to affordable colleges or technical schools can get the knowledge and skills to become productive members of the workforce with financially successful careers.

Older workers or immigrants who have access to training – either to update their skills or to learn English – will also enjoy more productive careers.

A worker who attains a certificate or degree beyond high school can expect to earn a significantly higher income, with actual earnings on average rising with each stage of education.

Workers with a bachelor's degree or better are the most likely to earn above a self-sufficient income, setting the stage for home ownership and accumulation of other assets that help secure a place in the cycle of opportunity.

A worker who only graduates from high school will have a hard time earning a self-sufficient income. That puts home ownership out of reach for most workers and makes it difficult to secure a place in the cycle of opportunity.

Workers without a college degree or certificate are also more likely to need public or private assistance at some point in their lifetime and will contribute less in taxes.

Indicator 1: Leaks along Colorado's educational pipeline

Those who leak out of the pipeline before completing college are less likely to enjoy a life of opportunity.

Indicator 2: Low-income and minority students attending college

The rate at which different economic classes and races attend college is a good indicator of their future status within the Cycle of Opportunity.

Indicator 3: College degrees awarded by race and ethnicity

A worker's future earnings are most directly related to the type of degree obtained.

Indicator 4: Postsecondary affordability

Cost is the single largest barrier to a postsecondary education for students from low-income families.

Indicator 5: Access to adult basic education and English as a second language (ESL) services

Adult education can provide many workers and their families, including those who don't speak English, a second chance to enter the Cycle of Opportunity.

Indicator 1: Leaks along Colorado's educational pipeline

The most significant measure of the success of our education system is how well it does turning high school students into college graduates.

The path a student travels from ninth grade to college completion is often referred to as the educational pipeline. Those who leak out before reaching the end of this pipeline enjoy fewer opportunities for financial success. The earlier students leak out, the fewer opportunities they will have.

Only 20 out of every 100 students who entered the ninth grade in 1992 graduated from a higher education institution on time, within six years for a four-year degree program and three years for a two-year degree program. This is slightly better than the national average of 18 graduates per 100 ninth graders, but is well below the rate of 28 per 100 achieved by the top performing states.

Colorado's educational pipeline leaks the largest number of students in its early stages. Almost 30 percent of ninth graders do not graduate from high school, and another 30 percent do not enroll in college within a year after graduating. For the 40 percent who enroll in college, only half graduate on time.

Colorado does a mediocre job of graduating our own young people from college. This is particularly true for Hispanics, African-Americans and young people from low-income families.

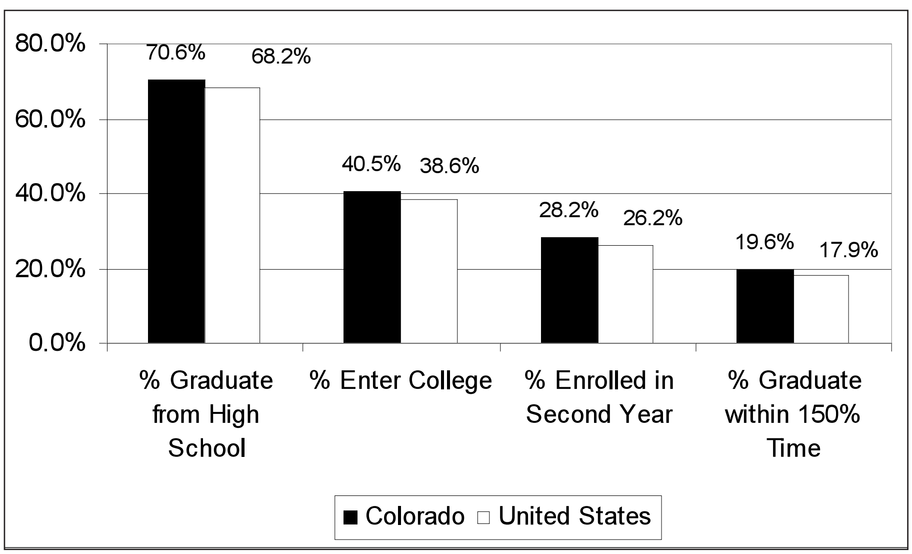
These numbers are at odds with Colorado's well-educated adult population. More than 60 percent of Coloradans have some postsecondary education, making it the third most highly educated state. Many of these educated residents come from other states. From 1989 to 2001, Colorado was the nation's No. 2 importer of college graduates.[1]

Our success importing college graduates masks the relatively poor job we do educating our own kids.

White students in Colorado tend to be better educated than their peers in other states. But minority students in Colorado lag behind their peers in other states.

Of Colorado's minority population, 29 percent did not graduate from high school, ranking Colorado 41st. Just 42 percent of Colorado's minority population have some postsecondary education, ranking Colorado 38th.[2]

Figure 1. Percentage of Colorado students who progress from high school to on-time college graduation, 2002



Source: *Student Pipeline – Transition and Completion Rates from 9th Grade to College*, The National Information Center for Higher Education Policymaking and Analysis. www.higheredinfo.org, Crosscutting Info section.
Note: High school graduation rates used here are calculated by the National Center for Higher Education Policymaking and Analysis.

Indicator 2: Low-income and minority students attending college

A college degree is the single most effective way for a student from a low-income family to escape poverty and enter the Cycle of Opportunity. Because of the close correlation between race and income in America, this also is largely true for minority students.

In 2002, 22 percent of 18-24-year-olds from low-income families attended college. This was below the national average of 25 percent and ranked Colorado 35th in the nation.

While not good, these numbers are a significant improvement over those reported in our original opportunity report of 2002. In 1999, Colorado ranked dead last nationally, with only 14 percent attending college, compared to the national average that year of 25 percent.

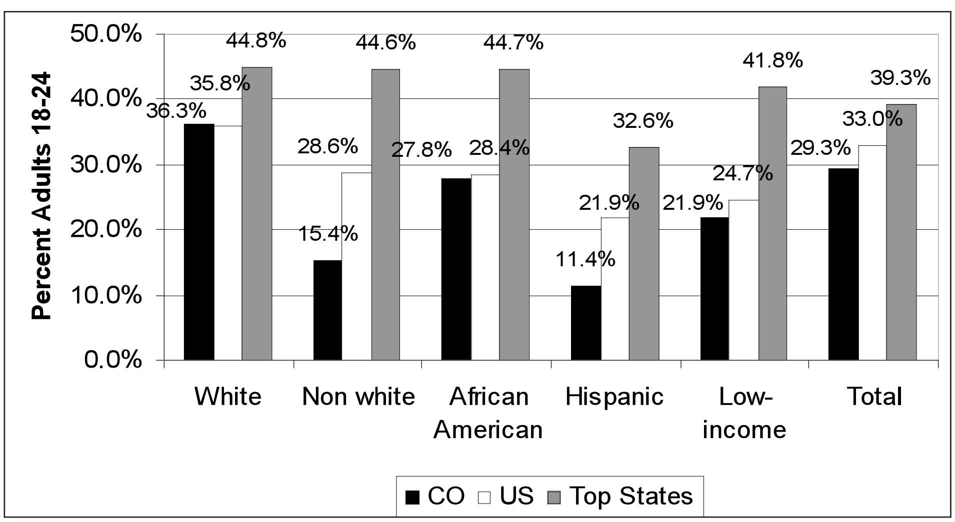
In 2002, Colorado's college participation rate for whites aged 18-24 was 36 percent. By comparison, 28 percent of African-Americans and 11 percent of Hispanics of the same age were enrolled.[3]

In 2003 the proportion of white and African-American students enrolled in college matched their numbers in the state's total population. But Hispanics fell short in this comparison. While Hispanics were 17 percent of the state's population in 2003, just 10 percent of the state's college students were Hispanic.[4]

Students from low-income families face considerable educational and financial challenges to get into college. Chronic low rates of college enrollment make it harder for them to achieve the earning power that comes with college or technical education and to enter the Cycle of Opportunity.

Because of the close correlation between race and income, minority students face many of the same challenges faced by low-income students. Because fewer of their relatives may have a college education, many students don't know how to prepare for and apply to colleges and training programs. Often there is no family expectation or support to attend college.

Figure 2. Percent of young adults 18-24 enrolled in postsecondary education by race and income, 2002



Sources: For race: *Postsecondary Enrollment, By Race and Ethnicity*, 2002 American Community Survey Supplementary Survey microdata. Analysis by the Population Reference Bureau, Washington, D.C., for the Annie E. Casey Foundation. For income: *College Participation Rates by State for Students from Low-Income Families, 1992-2002*, Tom Mortenson. Postsecondary Education OPPORTUNITY, No. 150 (December). Note: Low-income families earn less than $25,000 a year.

Indicator 3: College degrees awarded by race and ethnicity

Not all postsecondary degrees are created equal. The more advanced the degree, the greater the income potential.

On average, people with certificates earn more than those with high school diplomas; those with associates degrees earn more than those with certificates; those with bachelor's degrees earn more than those with associates degrees; and those with post-graduate or professional degrees earn more than those with bachelor's degrees.

So while getting into college is a critical step, completing the course of study and obtaining a degree is the ultimate objective.

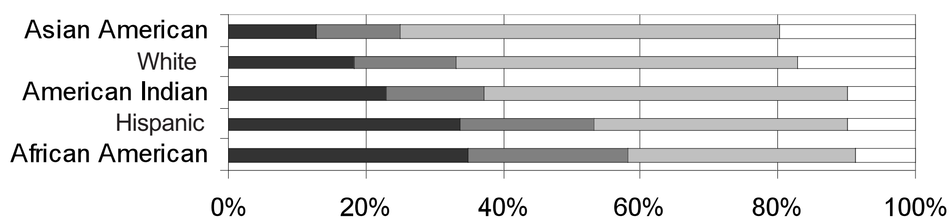
The outcomes of the higher education system in Colorado vary significantly by race, with African-American and Hispanic students concentrated at the lower end of the system.

More than half of all African-Americans and Hispanics who attend college in Colorado earn certificates or associate's degrees, while two-thirds of white students earn bachelor's or post-graduate and professional degrees.

On average, only workers with a bachelor's degree or higher can earn enough for a family of four to be self-sufficient in Colorado.

Most minority students who attend college in Colorado are in programs that, on average, may not give them the earning power to be self-sufficient.

Figure 3. Distribution of degrees and certificates awarded by public higher education institutions per 100 students, by racial/ethnic group, 2003-04



	African American	Hispanic	American Indian	White	Asian American
□ Post Graduate	9%	10%	10%	17%	20%
■ Bachelor's	33%	37%	53%	50%	55%
■ Associates	23%	20%	14%	15%	12%
■ Certificates	35%	34%	23%	18%	13%

Source: Colorado Commission on Higher Education, Degrees and Certificates Awarded by Colorado Public Higher Education Institutions.
http://www.state.co.us/cche/I&R/degreesawarded/index.html

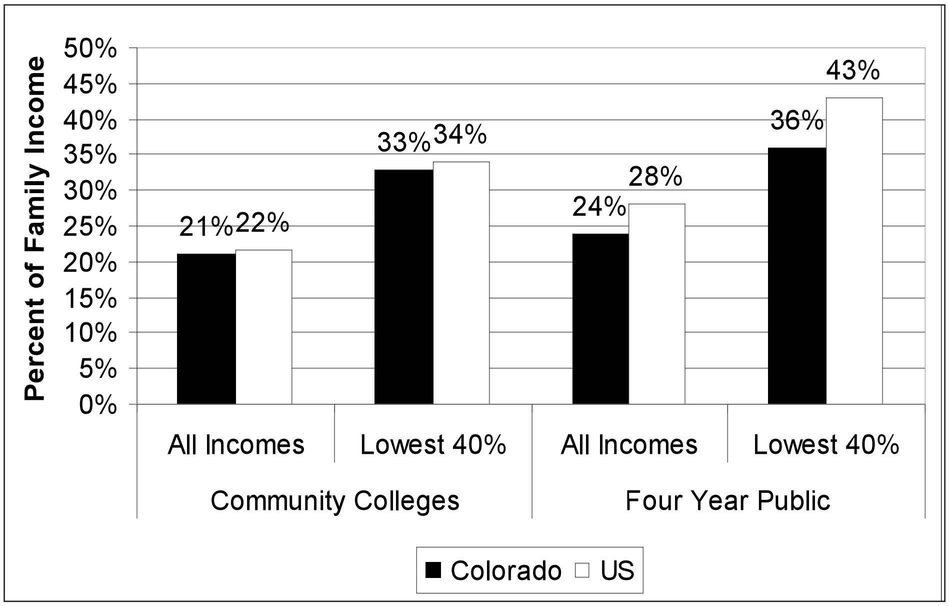
Indicator 4: Postsecondary affordability

Cost is a barrier many students must overcome to attend college and other postsecondary training programs. This is particularly true for students from low-income families.

Community colleges

In 2003-04, it took 21 percent of the average Colorado family's income to pay for the expenses of attending a two-year community college, the same as in 2000-01. This includes student financial aid these families receive.

Figure 4. Percent of family income needed to pay for college expenses after receiving financial aid, 2003-2004



Source: *Measuring Up 2004 Database – Affordability*, National Center for Public Policy and Higher Education, 2004. http://measuringup.highereducation.org/database.cfm

Community college costs consumed 33 percent of the income of the poorest 40 percent of families, those with incomes up to $31,176, slightly above the 32 percent marked in 2000-01. On average, it took less of a family's income to attend community college in Colorado than the national average.

Four-year colleges and universities

In 2003-04, it took 24 percent of the average Colorado family's income to pay for the expenses of attending a four-year public college. This is in addition to student financial aid the average family received and is up from 22 percent in 2000-01.

The poorest 40 percent of families paid 36 percent of their income to send a student to a four-year college, up from 34 percent in 2000-01. Again, these costs account for financial aid these families received. Currently, attending a four-year public college is still a bit more affordable in Colorado than the national average.

Even for average income families, college costs take a large bite out of the family budget. Cost remains a significant barrier to many people attending college. And these costs are increasing as the average tuition at Colorado's four-year colleges and universities rose by 30 percent between 2001 and 2005.

Indicator 5: Access to adult basic education and English as a second language (ESL) services

In 2004, 328,000, or 11 percent of Colorado adults ages 18-64 did not have a high school diploma.[5]

At the same time, one of the fastest growing segments of the state's population is new immigrants who speak little or no English.

Training that helps adults earn GEDs, upgrade their skills or learn English improves their employment potential and, for some adults, opens the door for a college education. It gives people a hand up to the Cycle of Opportunity and gives them a chance to contribute to the economic strength of the state.

In 2003, adult training programs served 15,137 students, or less than 5 percent of the 328,000 working-age adults without high school diplomas.

It is important to note that this indicator is different than the one used in the previous gateway to determine how many adults get GEDs alone (page 50). While there is some overlap, this indicator is meant to measure the state's capacity to accommodate a broader variety of needs — from GEDs to language acquisition — through adult training programs.

Colorado spends no state funds on adult education or literacy training. We rely on federal funds and grants for these programs. In FY 2004, the state received $5.6 million in federal funds as part of the Adult Education and Family Literacy Act. The act is designed to help adults:

- Become literate in English and obtain the knowledge and skills necessary for employment and self sufficiency.
- Complete a secondary school education or equivalent.
- Learn enough to participate fully in their children's education.

The federal funds are distributed through competitive grants to communities throughout the state. They are used to establish and provide programs in adult basic and secondary education, workplace literacy, family literacy and English literacy. Currently, 39 local providers are funded by the federal act.[6]

Providers include the Four Corners Virtual Resource Center in Cortez, the Adult Basic Education Program at Morgan Community College in Fort Morgan, the Academic Support Center at the Community College of Denver and the Adult Basic Education Program at Pueblo Community College.

Because the federal act has not been reauthorized, the Colorado Department of Education will not issue requests for new training programs for fiscal year 2006. Programs that have been funded in the past three years will be extended for another year.

A bill to reauthorize the Adult Education and Family Literacy Act is pending in the U.S. Senate. It passed the U.S. House on March 2, 2005.

What is Colorado doing?

Funding for colleges and universities

Since the early 1990s, Colorado cut state funding for higher education. This trend accelerated during the economic downturn of the early 2000s. General fund appropriations per resident student dropped by 34 percent from 2002 to 2005.

Tuition increases partially offset the declines. In 1988, for every $1 in student-paid tuition, the state provided $2 in general funds. Today, for every $1 in tuition, the state provides 73 cents in general fund support.

College Opportunity Fund

In 2004, Colorado restructured the way it finances public higher education. It created the College Opportunity Fund (COF) to provide a four-year stipend for every in-state student to attend any of the 26 state colleges or universities. Low-income students who qualify for the federal Pell grants may apply half the stipend to attend participating private, four-year colleges.

Students register for their stipend, and money flows from the COF directly to the college. The COF replaces the old, less visible method of giving each institution a lump sum, but does not bring any new money to the system.

The current COF stipend is $2,400 per student per year. The stipend is likely to decline over the next decade.

The Colorado Commission on Higher Education also negotiates performance contracts that set objectives that schools are expected to meet in using the state funding.

The COF was designed primarily to qualify the colleges for enterprise status under Colorado's Taxpayer's Bill of Rights (TABOR).

By making the value of state support for higher education more visible, backers say the stipends will encourage low-income and minority students to attend college. They claim the stipends help students see that college is more affordable, removing a barrier to access.

Enterprise status also allows the colleges and universities to increase tuition. The COF requires the schools to set aside 20 percent of the funds generated through tuition increases above inflation for need-based aid.

Need-based financial aid

In addition to aid provided by individual colleges, Colorado provides need-based and merit financial aid to students.

During the 2003 session, to cope with the recession, the Legislature cut need-based aid by $6.9 million and essentially held funding flat in 2004. In 2005, the Legislature converted about $4.5 million of merit aid into need-based aid, for a total of $42.6 million in general need-based aid. This was a positive step in making college more affordable to low-income students.

While this helps promote access for low-income students, it only brings the total available back to the FY 2002-03 funding level, which already was well below the identified need. Lack of financial aid continues to be a major barrier to college for many low-income students.

Adult education

As noted earlier, Colorado spends no state funds for adult education or literacy training. We rely on federal funds, grants and donations for these programs.

In 2002, the Legislature created the Colorado Family Literacy Act to support adult education and improve family literacy as a means of closing the achievement gap. However, no state funds were appropriated. Putting the idea to work depends on gifts, grants and donations.

What is Colorado doing?

Colorado Achievement Scholarship Program

Created in 2005 by passage of SB05-003, this program will provide scholarships for students from low-income families. Students must sign up in eighth or ninth grade, take a pre-collegiate curriculum, maintain a 2.5 grade point average or better and avoid expulsion during their middle and high school years.

CollegeInvest will put $50 million in profits earned on its loan portfolio into a trust, and the investment returns will fund the scholarships.

CollegeInvest is a state enterprise within the Colorado Department of Higher Education that oversees Colorado's tax-advantaged (529) college savings plans

Colorado Legislative Council estimates up to $2.5 million will be available to provide 2,200 students with an average scholarship of $1,136.

The first scholarships will be awarded in 2008. The scholarships provide an incentive for low-income middle school students to prepare for college.

What more should Colorado do?

Funding for colleges and student aid

Colorado's colleges and universities face a serious funding crisis that could lead to closures or deep program cuts. Such cuts will severely limit the opportunity for many Coloradans to get the education they need to succeed. And in today's global economy, such cuts also would be a major blow to Colorado's economic competitiveness.

Recommendation: Colorado's leaders and citizens must increase funding for the state's colleges and universities. At a minimum, we should find a way to ensure stipends from the College Opportunity Fund keep pace with the rising costs of higher education. This should be a priority for use of revenues generated by Referendum C.

Recommendation: Colorado should significantly increase the amount of need-based aid available to students.

In-state tuition for immigrants

The Urban Institute estimates that undocumented immigrants represent 40 to 49 percent of the total foreign-born population in Colorado. Between 200,000 and 250,000 undocumented immigrants lived in Colorado during 2002-04, according to the Pew Hispanic Center.

Undocumented students can't receive federal or state financial aid and can't qualify for in-state tuition rates.

In January 2005, the 27-member bipartisan Colorado Commission for High School Improvement recommended that resident undocumented immigrants be allowed to pay in-state college tuition rates.

Recommendation: The Legislature should allow undocumented high school students who attended Colorado high schools for at least three years and graduated to attend college in Colorado at in-state tuition rates.

What more should Colorado do?

Access for low-income students

Colorado does a poor job helping low-income and minority students go to college. One of the goals behind the College Opportunity Fund was to expand access for these students.

Recommendation: Increasing access for low-income and minority students as measured by the number of federal Pell grant recipients attending their institutions should be part of the performance contracts CCHE signs with each college. In addition, institutions should be required to report their share of minority undergraduate students.

Recommendation: CCHE should be required to report critical data on the operation of Colorado's financial aid programs. The agency should publicly report on race and ethnicity, level of financial need, award amount, full-time or part-time status, year of study, grade point average and other characteristics for recipients of state-funded financial aid programs.

Recommendation: CCHE should continue to inform students about College Opportunity Fund stipends and evaluate how effective they have been in encouraging low-income students to attend college.

Family Literacy programs

Family literacy programs improve the skills of undereducated adults and increase their children's chances for academic success. Improving family literacy is an effective strategy for closing the achievement gap.

Recommendation: The Legislature should appropriate state funds to implement the Colorado Family Literacy Act and expand the reach of existing, federally-funded adult literacy and training programs.

Information online:

NCHEMS Information Center for State Higher Education Policymaking and Analysis: www.higheredinfo.org

National Center for Public Policy and Higher Education: www.highereducation.org

Colorado Commission on Higher Education: www.state.co.us/cche_dir/hecche.html

Colorado Department of Education, Adult Education and Family Literacy: www.cde.state.co.us/index_adult.htm

Exercise is key to a healthy adult life. Here, women in the Schlessman Family YMCA spinning class work on cardio-vascular fitness during an hour-long session. They are, from left, Amy Leonard wearing a cap, Mira Garbowski in the back row, and Connie Peters.

A Healthy Adult Life

Those who enjoy sound physical and mental health or are able to get adequate treatment when they need it are likely to be more productive, advance faster in their careers, earn higher incomes and enjoy a better quality of life throughout their adult years.

Those who face physical or mental health challenges and do not have access to adequate or effective treatment are likely to miss more days of work, be less successful in their careers, face higher health care expenses and have a diminished quality of life.

Ultimately, some will face debilitating conditions that may threaten their family's economic security, shorten their careers or even cause premature death.

Indicator 1: The prevalence of adult smokers

Tobacco-related illnesses are Colorado's leading cause of preventable death.

Indicator 2: Obesity among Colorado adults

If current trends continue, the Centers for Disease Control projects that obesity will overtake smoking as the leading cause of preventable death in the United States.

Indicator 3: Suicide among Colorado adults

Colorado is consistently among the top 10 states for suicide deaths.

Indicator 4: Alcohol abuse among adults

Alcohol abuse is a serious health issue that harms lives and family relationships.

Indicator 5: Health insurance coverage for non-elderly adults

Access to health care is closely related to health insurance coverage.

Indicator 6: Non-elderly adults on Medicaid

One way of compensating for the loss of employer-sponsored health benefits for low-wage workers is to enroll them in the state's Medicaid program.

Indicator 1: The prevalence of adult smokers

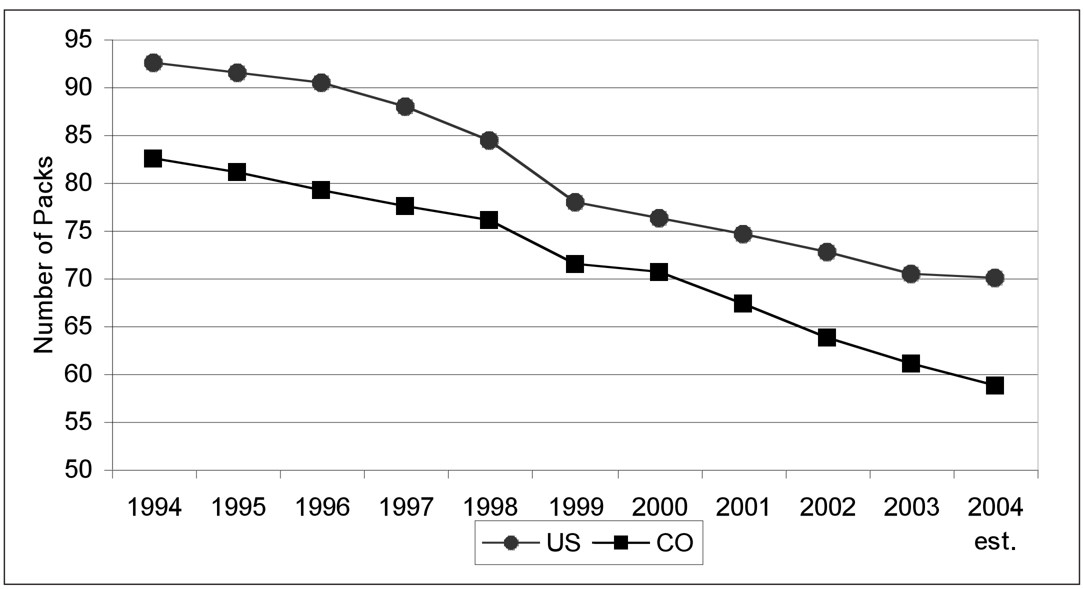
Tobacco-related coronary heart disease, stroke, asthma and other respiratory illnesses kill more people than AIDS, drugs and alcohol abuse, homicide, suicide, car accidents and fires combined, according to the State Tobacco Education and Prevention Partnership.[3] Smoking also burdens the nation's economy, causing illnesses costing more than $1 billion per year.[4]

Per capita cigarette consumption in Colorado continued on a steady decline over the past decade, even as national rates of consumption leveled off since 2000.[5]

However, cigarette smoking is higher among people with less education, lower incomes and among Hispanics.[6]

- About 31 percent of Colorado adults without a high school diploma smoke, compared to 15 percent with at least some college education.[7]
- In 2003, 27 percent of Colorado adults earning less than $25,000 reported that they smoked cigarettes compared to 14 percent of adults making $50,000 or more per year.[8]
- In Colorado, 18 percent of whites smoke compared to 21 percent nationally and 15 percent of African-Americans smoke in Colorado compared to 20 percent nationally.[9]
- In contrast, 25 percent of Hispanics in Colorado smoke, compared to 15 percent nationally.[10]

Figure 1. Annual per capita cigarette pack consumption: United States and Colorado, 1994-2004

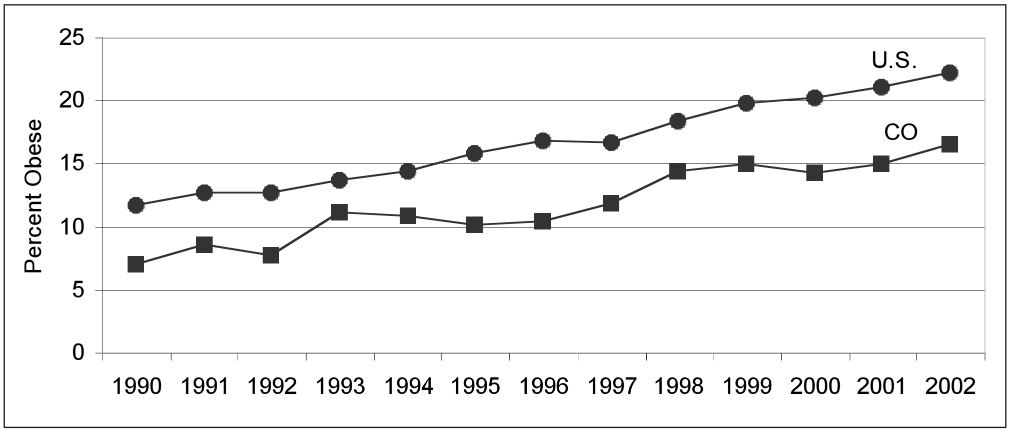


Source: Colorado Tobacco Education and Prevention Partnership 2003-04 Annual Report (2004).

Indicator 2: The prevalence of obesity and diabetes among adults

Obesity is increasingly becoming a risk to adult heath. If current trends continue, the Centers for Disease Control projects obesity will surpass smoking as the leading cause of preventable death in the United States.[11]

Figure 2. Median percentage of obesity for all adults 18 and older with a body mass index of 30 or more, nationwide and Colorado, 1990 – 2002



Source: Centers for Disease Control, National Center for Chronic Disease Prevention & Health Promotion, Behavioral Risk Factor Surveillance System, accessed Sept. 8, 2005.

Compared to the nation, Colorado adults tend to be relatively lean and physically active. Colorado's overall 15 percent obesity rate is one of the lowest in the nation.12

However, as Figure 2 shows, the portion of Colorado adults judged to be obese more than doubled, from 7 percent in 1990 to 17 percent 2002.

Nationally and in Colorado, obesity rates tend to be higher for Hispanics and African-Americans compared to whites.[13]

Between 1990 and 2003, the portion of obese African-Americans increased from 8 percent to 25 percent, whites from 7 percent to 15 percent, and Hispanics from 13 percent to 23 percent. Obesity among African-Americans and whites increased faster than the national average.

Research shows that African-Americans, Hispanics, Asian Americans and American Indians are genetically more susceptible to developing type 2 diabetes.[14]

Research also shows that while race and income affect adult obesity and diabetes, income appears to have the stronger effect, as shown in Table 1.

Table 1. Percent of all Colorado adults aged 18 and older who are obese and percent who have diabetes, by income, education and ethnicity, 2002-03

	Obese	Diabetes
Income level		
Less than $25,000	19.2%	6.6%
$25,000-$49,999	18.3%	4.8%
$50,000 and above	14.6%	3.5%
Educational level		
Less than high school	21.2%	7.7%
High school degree	19.9%	5.5%
Some college or more	14.5%	3.9%
Race/Ethnicity		
Black	25.0%	5.8%
Hispanic	23.0%	5.6%
White	14.8%	4.3%

Source: Colorado Department of Public Health and Environment, Behavioral Risk Factor Surveillance System, accessed August 2005.

Indicator 3: Suicide among Colorado adults

If left untreated, depression-related illness can be fatal. Ninety percent of suicides are associated with depression or substance abuse.[16, 17]

For reasons that are not clear, suicide rates are higher in the West. Colorado is consistently among the top 10 states for suicide deaths. In fact, Colorado's suicide rate has consistently been 40 percent higher than the national average since data was first collected in 1910.[18]

Nationally and in Colorado, women are more likely to consider suicide than are men, but suicide completion rates are four times higher for men.[19]

The largest number of suicide deaths occurs among men 35 to 44, with the risk for suicide increasing for those with a mental illness or who abuse alcohol.[20]

Being unemployed or having a lower income also increases the risk of suicide. In Colorado, adults with household incomes of less than $15,000 are three times more likely to have suicidal thoughts than those with annual incomes of $25,000 or higher.[21]

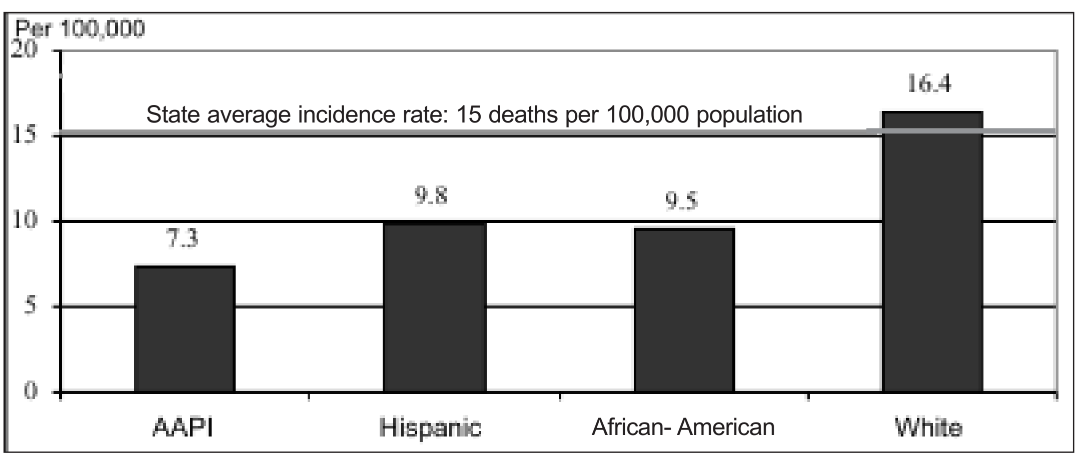
Mental health disorders lead to and are the result of lost opportunity

When undetected and untreated, "…mental disorders interrupt careers, leading many into lives of disability, poverty, and long-term dependence.

"Our review finds a shocking 90 percent unemployment rate among adults with serious mental illness — the worst level of employment of any group of people with disabilities."[15]

— The President's New Freedom Commission on Mental Health 2003

Figure 3. Colorado age-adjusted suicide death rates by race/ethnicity, five-year annual average, 1998-2002



Source: Adapted from the Colorado Department of Public Health and Environment, Racial and Ethnic Disparities in Colorado 2005 report, Figure 49, p. 23.
Note: The number of suicides among American Indians is small and cannot be calculated. AAPI represents Asian Americans and Pacific Islanders.
Note: Age adjustment is a statistical method used to eliminate differences in age distributions among different populations.

Indicator 4: Prevalence of alcohol abuse among adults

Alcoholism has long been misunderstood as a moral problem. However, evidence from biology and population studies show that alcohol abuse has a genetic basis.[22] Studies also show that alcohol abuse and mental health problems such as depression often occur together.[23]

Alcoholism damages lives and family relationships.

The Colorado Alcohol and Drug Abuse Division estimates that 253,400 teen and adult Coloradans abuse alcohol or drugs.[24] **According to a 2001 study, Colorado ranked fifth in severity nationally on the Alcohol Problem Index.**

Of the women in alcohol treatment programs in 2005, 7 percent were pregnant, compared with 1 percent nationally.[25]

In 2004-05, 36,281 Colorado children had a parent in an alcohol detox program or in alcohol treatment resulting from a driving under the influence charge.[26]

According to the Centers for Disease Control, there are about 100,000 alcohol related deaths nationwide each year.[27] In Colorado there were 1,082 alcohol related deaths in 2002 and 1,141 in 2003.[28]

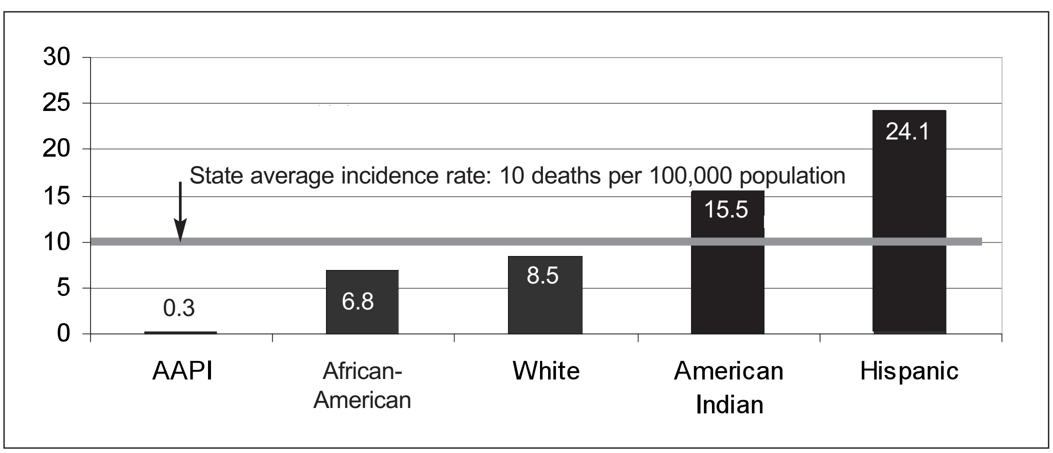
As part of the federal Healthy People 2010 initiative, the National Institutes of Health and the Substance Abuse and Mental Health Services Administration targeted cirrhosis deaths as an indicator of alcohol abuse.

Heavy alcohol consumption is the leading cause of cirrhosis, better known as chronic liver disease, which is the 12th leading cause of death nationally.

Because of the close relationship between chronic liver disease deaths and alcohol and substance abuse, these death rates are an indicator of alcohol abuse. This measure helps identify alcohol abuse and uncover health disparities within segments of the population.

The average death rate in Colorado from chronic liver disease is 10 per 100,000 residents. American Indians and Hispanics have higher rates of death from chronic liver disease than other ethnic groups, and their rates exceed the statewide average. These populations are at greater risk of alcohol and substance abuse.

Figure 4. Colorado chronic liver disease death rates per 100,000 by race/ethnicity, 1998-2002 (age-adjusted)



Source: Adapted from the Colorado Department of Public Health and Environment, Racial and Ethnic Disparities in Colorado 2005 report, Figure 13, p. 10. Note: AAPI represents Asian Americans and Pacific Islanders. See Fig. 3 for explanation of age adjustment.

Indicator 5: Health insurance coverage for non-elderly adults

Access to health care often depends on whether a person has health insurance coverage. Health insurance can be provided by employers, through public programs such as Medicaid or purchased by individuals.

The portion of non-elderly adults in Colorado without health insurance increased from nearly 16 percent in 2000 to 18.5 percent in 2004. Now, nearly one-fifth of Colorado's working-age adults do not have health insurance coverage.[29]

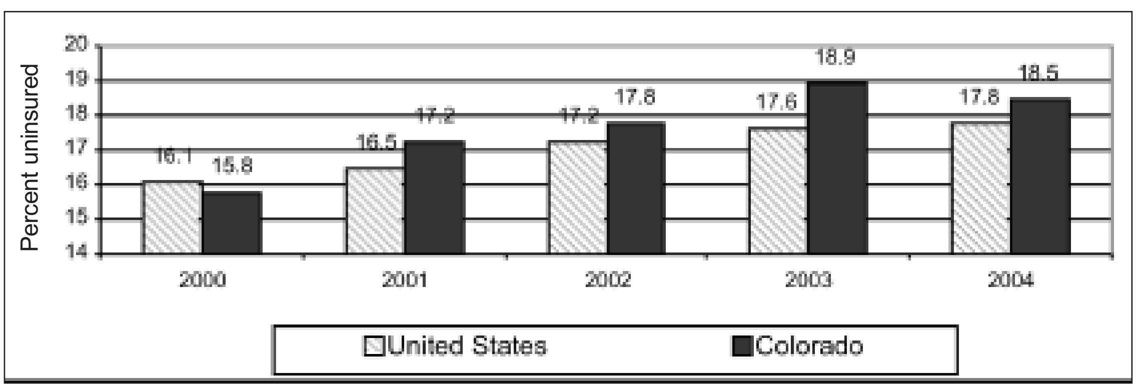
Of those non-elderly adult Coloradans without health insurance, 51 percent are white and 41 percent are Hispanic.[30]

No data were available to compare the portion of African-American Coloradans without health insurance to those nationally. Members of other races and ethnicities account for 5 percent of Colorado's uninsured non-elderly adults, compared to 7 percent nationally.

Many workers get health insurance through plans sponsored by their employers. As the cost of health insurance increases, more employers are cutting back coverage.

- From 1995 through 2001, a larger portion of private sector employees in Colorado received employer sponsored health insurance coverage than did workers nationally.[31]
- Beginning with the onset of the recession in 2001, the portion of Colorado workers with workplace health insurance coverage declined from 59 percent to equal the national average of 56 percent in 2004.
- Many workers who lost coverage worked in small businesses. In that sector, Colorado employers offering health insurance declined from 67 percent in 2001 to 58 percent in 2002.[32]
- The number of people covered by small employer groups in Colorado dropped by 165,000, or 30 percent, between 2000 and 2004.[33] Throughout the 1990s, Colorado was at or above the national average for the percent of small firms (three to 99 workers) that offered health insurance to workers.[34]

Figure 5. Percent of all people younger than 65 without health insurance, U.S. and Colorado, 2000 to 2004



Source: U.S. Census Bureau, Current Population Survey, 1988 to 2005 Annual Social and Economic Supplements, Table HI-6. Available at: http://www.census.gov/hhes/www/hlthins/historic/hihistt6.html

Indicator 6: Non-elderly adults covered by Medicaid

One way of compensating for the loss of employer sponsored health benefits is to enroll low-wage workers in the state's Medicaid program.

Colorado's Medicaid program has stringent income limits and covers very few optional services. As a result, the state's decline in workplace health benefits was not offset by increases in Medicaid coverage.

Although the percentage of Colorado residents enrolling in Medicaid grew faster than the national average between 2000 and 2004 (24 percent compared to 6 percent), the percent of Colorado adults without insurance grew more rapidly.

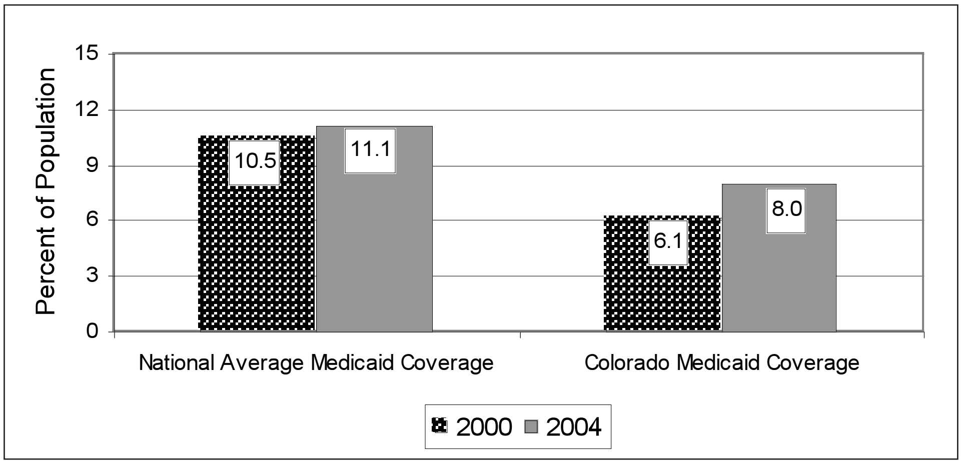
In fact, Colorado Medicaid covers fewer people than nearly any other state; we rank 49 out of 50 states in terms of the percentage of low-income adults covered by Medicaid.[35] Overall, we enroll fewer non-elderly adults in Medicaid and have more uninsured residents compared to the nation.

High rates of uninsured and low Medicaid coverage rates lead to greater use of more costly health care such as emergency rooms or hospitalization.[36] Because patients are less likely to pay the full costs of treatment, costs go up for health providers. Providers, in turn, shift these costs to other payers, primarily those with private health insurance.

In 2002, Colorado hospitals provided nearly $3.9 billion in uncompensated care (i.e., bad debt, charity care and the gap between actual cost and government reimbursement), an increase of 136 percent since 1998.[37]

These costs are often transferred to paying customers in terms of higher health insurance premiums, co-pays and prescription drug costs.

Figure 6. Comparison of non-elderly Medicaid enrollees, nationwide and Colorado, 2000 and 2004



Source: U.S. Census Bureau Table HI-6. Health Insurance Coverage, Status and Type of Coverage by State, People Under 65: 1987 to 2004

What is Colorado doing?

Smoking, obesity and exercise

In 2004, Colorado voters approved Amendment 35, increasing state tobacco taxes by 64 cents per pack of cigarettes.

These new tobacco taxes help fund the Supplemental Old Age Pension, Health and Medical Care Fund, local government health programs, health care expansion, medical benefits for legal immigrants, tobacco education programs, prevention and early detection of cancer, breast and cervical cancer treatment and chronic disease management.

The Colorado State Tobacco Education and Prevention Partnership is developing a comprehensive tobacco control program. The long-term goals are to prevent teens from starting to smoke or chew, encourage teens and adults to quit using tobacco, and reduce everyone's exposure to secondhand smoke.

In 2001, Colorado implemented the Colorado Physical Activity and Nutrition Program for schools, communities and worksites. In 2004, the program launched a campaign to encourage adults to get more exercise and eat better.

Meanwhile, the federal Office of Disease Prevention and Health Promotion put into action its Healthy People 2010 goals and objectives.

The state Department of Public Health and Environment sponsors the program in Colorado. Using money from Colorado's new tobacco tax, the agency is working with community health departments and clinics to improve cardio-vascular health, curb obesity and help smokers quit.

Substance abuse and mental health

In 2005, the Colorado Legislature passed HB05-1015, making substance abuse outpatient treatment a covered service under Medicaid. This will help provide substance abuse treatment to low-income people.

The Legislature also passed SB05-59 to boost local funding for mental health care and substance abuse treatment. Under this bill, local governments may ask voters to approve special districts and related taxes to fund mental health services and programs for residents living within the district.

Following the deaths of two college students in 2004 from binge drinking, Colorado's universities are stepping up alcohol education efforts.

The University of Colorado requires all new freshman to log on to the AlcoholEdu Web site, view a three-hour presentation and pass a test. CU expels students on their second alcohol violation.

Colorado State University formed an alcohol task force, led by Lt. Gov. Jane Norton, to recommend ways to reduce alcohol abuse on campus. In response CSU is better educating students about the dangers of alcohol abuse, increasing communications to parents about alcohol related issues, creating a student-led organization focusing on preventing alcohol poisoning and working to improve oversight of fraternities.

Health insurance

The most significant policy change has been voters' approval of Referendum C. The law directs one third of the revenues retained over the TABOR limit, projected at $1 billion over the next five years, toward health insurance for citizens and restoring cuts to health services and programs.

The Colorado Legislature assigned three interim committees in 2005 to study health insurance issues and find ways to expand coverage to more Colorado residents.

The committees held hearings and considered policy options to encourage more employers, particularly small businesses, to provide health insurance plans for their employees.

What more should Colorado do?

Alcohol and substance abuse

Prevention and treatment are effective in reducing alcohol and substance abuse in Colorado. However, insurance coverage for alcohol and substance abuse is limited.

People with untreated alcoholism seek emergency room treatment 60 percent more often and are nearly twice as likely to be hospitalized overnight.

In 2003, 82 percent of the 19,569 committed adult population needed substance abuse treatment. Incarcerating one adult drug offender in Colorado cost $27,825 per year in 2003; average time served is 25 months.

Recommendation: Colorado should create a parity law, giving alcohol and substance abuse treatment the same benefit levels and limits as other chronic relapsing disorders. A study by the National Institute of Mental Health found other states with mental health parity had lower costs than expected.

Recommendation: Colorado should increase the state alcohol excise tax. Colorado has one of the lowest alcohol excise tax rates in the nation, $2.28 per gallon compared to the national median of $3.75 per gallon.

Health insurance

An increasing number of workers no longer have employer sponsored health insurance. Colorado's highly restrictive Medicaid program is not an option for many low-income workers.

Medicaid is a dollar-for-dollar state and federal partnership. In its *2005 Colorado Medicaid Primer*, the Colorado Health Institute projects the state's share of Medicaid spending to be $1.3 billion, which will bring another $1.3 billion of federal money into Colorado for the health care industry.

Colorado Medicaid was further eroded during the recession, especially physician, clinic, and hospital reimbursements. To contain costs, Colorado further reduced reimbursements, resulting in fewer doctors accepting new Medicaid clients and hospitals absorbing more costs.

Both public and private spending for health care increased yet private health care is shouldering more of the cost burden. To cover uncompensated costs, hospitals are shifting costs onto the private insurance market and insurance premiums continue to climb.

With the passage of Referendum C the state will have additional revenue to invest in the Medicaid program.

Recommendations: Colorado should increase income eligibility requirements for Medicaid from 133 to 185 percent of poverty, as described in Gateways 1 and 2.

The interim committees of the General Assembly studying health care issues have identified several options to expand employer sponsored health insurance plans. The voters' approval of Referendum C means that there will be funding available to help implement these recommendations.

Recommendation: The Legislature should carefully consider the options presented by the interim committees studying health care and adopt legislation to expand the number of workers covered by employer sponsored health insurance plans.

Setting up a bank account is one of the first steps to saving and building assets. It's the best way to safely keep earnings, and developing a customer relationship with a bank allows a person to build a credit history and grow savings.

Here, Adrian Miller cashes a check at WestStar Bank in Denver, with help from bank teller Lewis Ortiz. Customers Deb Robison, left, and Elizabeth Stephens visit while waiting their turn.

Gateway 8

Earning a Decent Living and Building Wealth

Earning a decent living and building wealth is our next important gateway to opportunity. A job with benefits that pays at least enough for a family to be self-sufficient and to build assets is the surest path into the Cycle of Opportunity.

Individuals and families who earn enough to be self-sufficient and to build assets are more likely to enjoy financial stability through retirement and be able to pass on opportunities to future generations.

Individuals and families who do not earn enough to be self-sufficient are likely to cut corners, such as going without insurance, threatening their overall well-being. They are also less likely to be able to prepare for retirement by building wealth, and less likely to be able to help their children get ahead.

To measure how well Coloradans are doing getting well-paying jobs and building wealth through asset accumulation, we have selected the following four indicators:

Indicator 1: Earning a self sufficient wage

Earning a self sufficient wage is critical to moving families and individuals onto the Cycle of Opportunity.

Indicator 2: Home ownership

Owning a home provides shelter for a family and is the largest source of wealth for many.

Indicator 3: Families experiencing asset poverty

Families need savings to allow them to weather an emergency, such as the loss of a job or an illness.

Indicator 4: Households with bank accounts

Traditional bank accounts help provide financial stability and tools for building savings and home ownership.

Indicator 1: Earning a self-sufficient wage

For individuals and families to enter and remain in the Cycle of Opportunity, they need to earn at least enough to pay their expenses without help from outside sources.

The Colorado self-sufficiency standard, developed by the Colorado Fiscal Policy Institute and discussed in more detail on pages 5-6, is the best tool for measuring which families are meeting this goal.

The federal poverty level does not adequately measure what it takes for a family to make its own way. The self-sufficiency standard more accurately measures the average income a family or person needs to meet basic needs without public assistance.

The standard takes into account the size and composition of the family, the broad range of expenses each type of family incurs, and variables in the cost of living in different areas of Colorado.

The self-sufficiency wage for all types of families of four ranges between $35,000 in rural areas and $48,000 in the resort and metro areas of Colorado.

Of Colorado's 1.78 million households, 36 percent earn less than $35,000 a year, and 24 percent earn less than $25,000.

These data suggest that while a large majority of Colorado families earn enough to be self-sufficient, a third or more of Colorado's families may not be able to make ends meet on their own.[1]

Female-headed households and minority households find it more difficult to meet the self-sufficiency standard for Colorado. In 2004, 27.6 percent of female-headed households had incomes below the federal poverty level.[2]

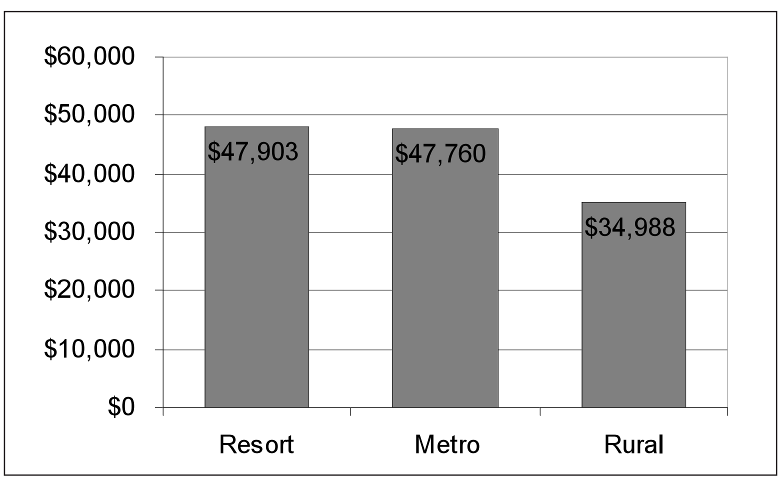
The median incomes of African-Americans at $37,729, Asian Americans at $37,565 and Hispanics at $33,512 fell below the self-sufficiency standard for a family of four in the metro and resort areas of Colorado. Median incomes for white families, at $54,118, were above the rate for all areas.[3]

In 2004, the federal poverty standard for a family of four was $18,850, far below the actual amount it takes to cover all necessities for a family of four anywhere in Colorado.

A worker making $10.30 per hour, or twice the $5.15 per hour minimum wage in Colorado, would make $21,000 a year – more than the poverty level for a family of four but far less than what is required to be self-sufficient.

Two adults in the same household, both making twice the minimum wage, would earn $42,000 a year, still below the self-sufficiency wage for a family of four in the metro and resort areas of Colorado.

Figure 1. Self-sufficiency standard for a family of four in Colorado, by region, 2004



Source: Colorado Fiscal Policy Institute. "The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget." 2004. Note: The Self-Sufficiency Standard is adapted for all types of families of four.

Indicator 2: Home ownership

Home ownership is the most common form of wealth accumulation for families, accounting for 32 percent of their total net worth in 2000. It represents 56 percent of the net worth of the poorest families, those with average household incomes of $15,650, and 39 percent of the net worth for families with average household incomes of $45,750.[4]

Home ownership is a relatively stable investment and the primary means to pass wealth from one generation to the next.

Federal tax breaks, such as mortgage interest deduction, makes home ownership an attractive investment.

Home ownership also ties people to their communities. Cities and towns with high rates of home ownership enjoy greater neighborhood stability, better school systems and lower crime rates.[5]

In 2003, 71 percent of Colorado households owned their homes, above the national average of 68 percent. Colorado's rate of home ownership increased more than two percentage points from the 2001 data used in our first opportunity report, while the national rate increased only slightly.

Home ownership rates continue to vary significantly based on income and race, with 73 percent of white families and 52 percent of minority families owning their own homes.

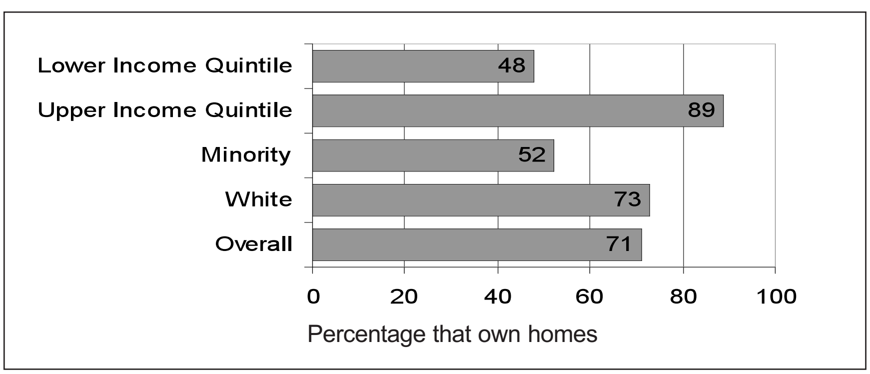
As can be expected, home ownership rates increase with income. While less than half of families earning up to $25,000 per year own their homes, more than 80 percent of families making more than $60,000 are home owners.

Rental costs are higher in Colorado than other states, making it difficult for low-wage workers to save enough to buy a home. According to the National Low-Income Housing Coalition, a person must work a 40-hour week at $16.64 an hour to afford the statewide average market rent on a two-bedroom unit.[6]

Almost two thirds of the families in Colorado that earn less than $35,000 a year and rent their homes pay almost a third of their total income on housing.

Colorado had the seventh highest rate in the nation of residents who paid 30 percent or more of their income on rent in 2004.[7] Paying up to a third or more of annual income on rent makes it difficult for low-income households to save and become economically self-sufficient.

Figure 2. Colorado homeownership rates by race and income in 2003



Source: Corporation for Enterprise Development, 2005 Assets and Opportunity Scorecard.

Indicator 3: Families experiencing asset poverty

All families, particularly those with low-incomes, need assets to cushion against sudden financial emergencies, such as an illness, the loss of a job or a costly automobile repair, which can push them into poverty.

"Asset poverty" is defined as the proportion of households who don't have enough net worth to subsist at the poverty level for three months without income. This indicator shows how many families do not have even a minimal financial cushion against hard times.

In Colorado, 74 percent of all families have enough saved to subsist for at least three months at the federal poverty level. That leaves 26 percent lacking this minimum cushion.

There are notable variations based on race, income and gender. Of white households, 23 percent lack enough assets to handle an emergency, compared to 43 percent of minority households. Twenty-eight percent of female-headed households experience asset poverty compared to 25 percent of male-headed households.

According to the U.S. Census Bureau, net worth varies across income levels and race.

Households in higher income brackets have more net worth, including home ownership, stocks, bonds and retirement accounts. Low-income households consume most of their income to survive, making it difficult to build wealth by saving.[8]

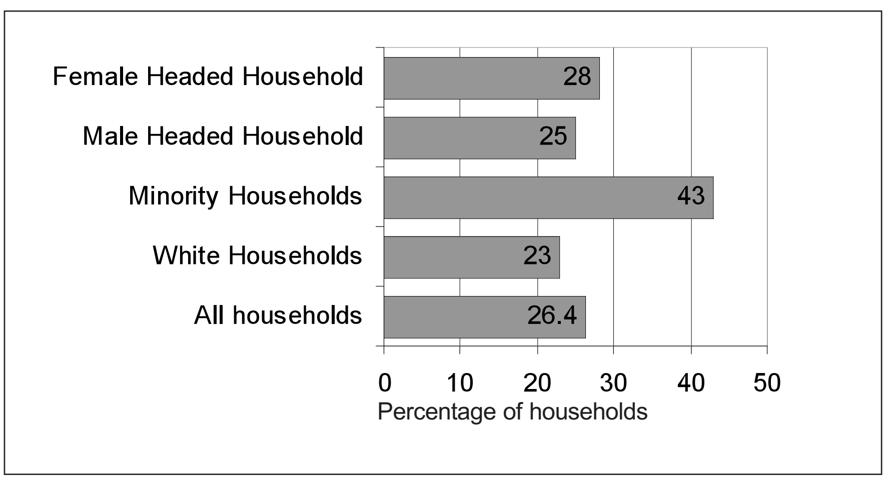
Nationally, white households had median net worth of $79,400 in 2000, compared to $9,750 for Hispanic households and $7,500 for African-American households.

The median net worth for households in the highest income quintile was $185,500 in 2000, compared to $7,396 for the lowest income quintile.[9]

Saving and building wealth helps families get into the cycle of opportunity and keep them there. Having sufficient savings protects families from falling out of the cycle of opportunity when emergencies strike.

Many families living paycheck to paycheck can be pushed into poverty even by fairly minor unanticipated economic problems.

Figure 3. Percent of households with asset poverty in Colorado in 2002



Source: Corporation for Enterprise Development, 2005 Assets and Opportunity Scorecard.

Indicator 4: Households with bank accounts

Setting up a bank account is one of the first steps to saving and building assets. Developing a customer relationship with a bank or credit union allows a person to build a credit history and grow savings. These assets are important for managing money, buying a home, and getting a business or personal loan.

People without bank accounts often rely on far more expensive options for simple transactions such as cashing checks or borrowing money.

In 2001, 91 percent of all families in the nation had some type of transactional account, comprised of checking, savings, and all types of money market accounts. Nine percent of families had no bank account.

According to the FDIC, nearly half of the nation's 40 million Hispanics have no bank account. In 2001, the Federal Reserve found that 43 percent of families without bank accounts were white, while 57 percent were Hispanic or a racial minority.[10]

In 2002, the Corporation for Enterprise Development found that 69 percent of families in Colorado had some kind of interest bearing saving, checking or money market account and that 28.7 percent had a non-interest bearing checking account.[11]

No reliable data exists to approximate the exact number of households in Colorado with no bank account, however, the CFED data suggests that there maybe a significant number of households that either hold a non-interest bearing checking account or are completely "unbanked".

Bank accounts are essential to providing financial stability, acquiring assets and saving. It costs less to use a bank account than to cash payroll checks at check cashers, purchase money orders to pay bills, or borrow from payday lending companies.

Some low-income people either do not have enough money to open a checking account, or the transaction costs are too high.

Often, people do not understand how to compute the annual costs of what appear to be fairly low transaction costs at check cashers and payday lenders when comparing them with bank fees. This is particularly the case for those new to the banking system or with limited English skills.

As the types of financial products expand and become more complex, financial literacy is critical for families.

Why do people avoid using banks? These are the main reasons:[12]

- Privacy (especially among undocumented immigrants)
- Not writing enough checks to make it worthwhile
- Minimum balance is too high
- Do not like dealing with banks
- Service charges are too high
- Cannot manage or balance a checking account
- No bank with convenient hours or location
- Credit problems
- Do not need or want an account.

What is Colorado doing?

Tax Credits

The federal Earned Income Tax Credit (EITC) is an effective policy that bolsters the wages of low-income working families. It lifts more families with children out of poverty than any other program and helps compensate for the stagnant minimum wage.

In effect, the EITC adds about $2 per hour to the wages of working families with two kids earning between $10,000 and $17,000 a year.[15] In 2004, approximately 250,000 Coloradans received an average federal EITC of $1,500.

Colorado supplements the federal Earned Income Tax Credit with a state credit equal to 10 percent of the federal credit. However, the state credit is only available in years when there are surplus revenues above the limits imposed by the TABOR amendment to the state Constitution.

Colorado also supplements the federal Child Tax Credit by providing a credit of $200 to $300. This credit also is available only in years when there are excess TABOR revenues.

With the passage of Referendum C, all TABOR rebates will be suspended for five years and there will be no state EITC or Child Tax Credit until at least 2011.

Promoting entrepreneurship through micro-enterprise development

The epitome of the American dream is to own your own business. Self-employment is risky, but it can be a significant and rewarding path to opportunity for people with entrepreneurial talent, business skills or a trade that can be turned into a business.

Long-term, successful business ownership is a significant source of assets and equity for many Americans; as a source of personal wealth it is second only to home ownership.[13]

State policies to help people start small businesses by providing loans and capital investments would give people another path into the Cycle of Opportunity and promote economic development in the community.

Micro-enterprises are the smallest of small businesses, with one to four employees. Due to high risk and small loan amounts, micro-entrepreneurs frequently are excluded from traditional commercial loans and must look for alternative sources of funding. Most micro-borrowers in the United States are women; many are single parents or minorities.

Micro-enterprise development can:

- Increase entrepreneurship, promote economic self-sufficiency and encourage the accumulation of financial assets.
- Allow workers in low-wage jobs to launch small ventures, to supplement income and get through hard times.
- Enable low-income workers to move towards self-sufficiency at a lower cost to society than public assistance.
- Stimulate economic growth and employment in underdeveloped communities and rural areas.
- Foster broad participation in economic activity.

Colorado already boasts a strong entrepreneurial climate.

The state ranks fifth in the nation in the number of self-employed business people per 100 workers in the labor force.[14] Almost 20 percent of Colorado's workforce is employed by micro-enterprises.

Home ownership

Resources are available to help lower-income families buy homes. The federal HOME Investment Partnership Program provides funds to the Colorado Division of Housing to distribute grants to local government, non-profit, and private developers for purchase, rehabilitation, new construction and rental assistance. In 2005, the program invested $9.3 million for affordable housing for low-income families.

Several local housing trust funds help low-income families buy homes, but Colorado is one of 16 states without a state-level trust fund. In 2005, the Legislature passed HB05-1331 to set up a state housing trust fund, but Gov. Owens vetoed the bill.

Financial literacy

Understanding the basics of personal finance helps people make smart decisions about spending and saving so they can acquire assets with long-term value and achieve economic stability. Studies consistently show many Americans, particularly low-income and minority families, do not fully understand key principles of personal finance.

The state Department of Education's standard for economics includes teaching the basics of financial literacy from kindergarten through high school. Even with the standards, the department found that many high school seniors and college students don't understand basic economics or personal finance principles.

In 2004, the Legislature passed HB04-1360, requiring the state Board of Education to help school districts design a financial literacy curriculum.

Individual development accounts

In 2000, the Legislature authorized Colorado non-profits to create Individual Development Accounts. An IDA is a dedicated savings account that can be used to buy a home, pay for college or job training, or start a small business. Contributions for low-income participants are matched by foundations and private donors.

The state government matches up to half of the contributions to IDA accounts by allowing contributions to be deducted from state income taxes in years when there are surplus TABOR revenues. With the passage of Referendum C, all such TABOR rebates will be suspended for five years, so there will be no state match for IDA contributions.[16]

Unemployment insurance.

Low-income workers could fall out of the cycle of opportunity if they are laid off. Unemployment insurance provides a protection for them.

In 2005, the Legislature passed HB05-1020 to adjust the base period under the unemployment system to allow workers to use more recent earnings in proving eligibility for benefits. Gov. Owens vetoed the bill. The alternative base period bill would have helped about 900 workers who make, on average, about $9 per hour. They are primarily workers who recently returned to work or had intermittent work histories.

Micro-enterprise development

In 2003, the Legislature passed HB03-1354, creating the Colorado Micro-Enterprise Development Advisory Council. The council was charged with exploring the feasibility of a state-supported intermediary program to support micro-enterprise development.

In 2004, Colorado's advisory council reported that nearly 75 percent of the state's micro-enterprise business owners and 66 percent of organizations that assist micro-enterprises support the creation of a state micro-enterprise intermediary.

What more should Colorado do?

Minimum wage

The Colorado minimum wage is set at the federal rate, and has not increased since 1997. The federal minimum wage is now at its lowest level relative to overall wages in 50 years.

According to the Economic Policy Institute, an increase in the minimum wage from $5.15 to $7.25 an hour would boost the wages of 7.3 million workers nationally. The largest group to benefit would be women: 7 percent would get a raise with an increase in the minimum wage.

Recommendation: If the federal government fails to raise the minimum wage, Colorado should raise its minimum wage to at least $6.15. More low-wage jobs are held by minorities and in particular, women of color. Raising the minimum wage would help low-income families, and narrow the wage gap between men and women of all races.

Self-sufficiency measure

The federal poverty level is an inadequate measure of what it takes to be economically self sufficient in Colorado. Using it to determine eligibility for programs that help low-income families limits families whose earnings top the federal level but who still need help making ends meet. Many programs already recognize this by setting higher eligibility levels.

Recommendation: Colorado should stop using the federal poverty level as a measure for deciding eligibility for public assistance programs, and instead use the more accurate self-sufficiency standard. While the state should not necessarily limit eligibility for programs to 100 percent of self-sufficiency, setting eligibility levels as a percentage of that level is a more accurate, effective and realistic method of determining eligibility.

Exempting retirement assets

A number of means-tested assistance programs in Colorado count family assets in determining eligibility. For example, some programs count the value of a family car or retirement savings. While families of means should be excluded from programs meant for the needy, it also is important that all families, particularly low-income families, save for financial emergencies. Denying benefits for public assistance programs to families with minimal assets discourages savings and puts these families at greater risk of falling back into poverty if an emergency hits.

Recommendation: The Legislature should exempt assets in retirement accounts such as 401(k) plans from eligibility limits and raise or waive the assets limits for other means-tested programs for public assistance.

Financial literacy

Increasing financial literacy helps people make better decisions about savings and investing. This is particularly important for low-income families, many of whom do not have bank accounts and often pay exorbitant fees for basic financial transactions.

Recommendation: The Colorado Department of Education should continue to study and recommend guidelines and standards to teach financial literacy to all students attending Colorado high schools.

Recommendation: Colorado should work with the financial services industry and nonprofit groups to offer financial literacy education and services to Colorado's unbanked population.

State housing trust fund

State housing trust funds dedicate a steady stream of money to help first time home buyers with down payments and advice. The Colorado Department of Housing estimates more than 42,000 people would buy homes if they could find housing in their price range and had the help of homebuyer assistance programs. DOH also estimates that with a housing trust fund, as many as 3,300 low- to moderate-income families could buy affordable homes.[17] Side effects benefit the whole state. Helping renters buy homes creates new jobs through construction, generates more tax revenues and creates more stable communities.

Recommendation: The Legislature should create and fund a state housing trust fund.

Earned Income Tax Credit

The Earned Income Tax Credit lifts millions of low-income working families out of poverty every year. Colorado's state EITC is a valuable supplement to the federal credit. However, Referendum C suspends all TABOR rebates for five years, including the state EITC.

Recommendation. The Legislature should make the Earned Income Tax Credit a permanent tax credit not dependent on TABOR rebates for funding. The Legislature should also increase the value of the credit from 10 percent to 20 percent of the federal credit.

Micro-enterprise development

Helping people start their own business opens an alternative avenue to the cycle of opportunity for those with entrepreneurial talent, business skills and desire. Providing micro-loans to people who cannot borrow from traditional sources can create viable new businesses. These businesses provide opportunity for their owners and expand economic activity in their communities.

Recommendation. The Legislature should create and adequately fund a state intermediary for micro-enterprise development. It would award grants to qualifying organizations, leverage additional funding sources, and provide an information network and state advocate for micro-enterprise organizations and micro-business owners.

Alternative base period for unemployment

Low-wage workers are most vulnerable when they are laid off because many depend on their paychecks to survive. Deferring unemployment benefits for up to six months, because workers cannot count their more recent earnings toward eligibility, imposes an unnecessary financial hardship.

Recommendation: The Legislature should pass and the governor should sign legislation allowing for an alternative base period for workers who do not qualify for unemployment insurance benefits using the standard base period.

Information online:

Colorado Fiscal Policy Institute: www.cclponline.org
Economic Policy Institute: www.epi.org
Center for Budget and Policy Priorities: www.cbpp.org/
CFED (formerly the Corporation for Enterprise Development): www.cfed.org
Colorado Division of Housing: www.dola.state.co.us/doh/index.htm

Retirement is a time for enjoying life with family and friends. Mary P. "Mippy" and Richard Kreutzer moved from Denver to a patio home in Lakewood so they wouldn't have to care for a yard. Mr. Kreutzer still works part-time in banking, and Mrs. Kreutzer is an active volunteer.

A Financially Secure and Healthy Retirement

A financially secure and healthy retirement is our ninth and final gateway to a life of opportunity. A secure and healthy retirement should be the reward for a life of hard work and contribution to family and community.

Those who enjoy financial security and good health in their senior years will remain active participants in the lives of their families and communities, experience fewer expensive health complications, remain self-reliant longer, and ultimately be most likely to pass resources (and therefore opportunity) on to future generations.

Those who are not financially secure or in good health in their senior years will suffer a greatly diminished quality of life. Many may have to delay retirement in order to meet their financial needs.

And rather than being able to leave resources to future generations, many seniors may have to rely on family or the public sector to meet their basic needs or to pay the high cost of health care or long-term care.

We have chosen four indicators to determine how well Coloradans are preparing for this final gateway in a life of opportunity.

Indicator 1: Colorado workers participating in workplace retirement plans

Payments from employer sponsored retirement plans are a potentially significant source of income for retirees.

Indicator 2: Financial soundness of Colorado-based pension plans

Pension benefits for Colorado retirees depend on the financial soundness of pension plans offered by private and public entities in Colorado.

Indicator 3: Retirement assets owned by families

Retirees can use assets in individual retirement accounts, Keogh plans and 401(k) plans to supplement income from pension plans and Social Security.

Indicator 4: Colorado seniors with long term care risk factors

The odds of suffering a disability or chronic illness that requires long term care increases with age and identifiable risk factors. This is a significant health risk for Colorado's seniors and a potential drain on their retirement assets.

Backgrounder: The federal government plays the most critical role in guaranteeing a financially secure and healthy retirement.

Federal programs are by far the dominant public programs contributing to the financial security and health of our seniors. Social Security, established in the 1930s, and Medicare, established in the 1960s, combined to greatly enhance the quality of life of American seniors.

Before Social Security, the senior years were often a cruel time in life. Many people were forced to work until their bodies wore out. Many others relied on relatives for their well-being, or lived and died in poverty. Without Social Security, the golden years were far from golden for many Americans.

In December 2003, 356,594 retirees in Colorado received Social Security payments.[1] For most, Social Security payments are a critical source of income.

Of Colorado seniors, 65 percent get half or more of their income from Social Security. And 73 percent of those 75 or older get half or more of their income from Social Security.

Stated another way, the average Colorado senior aged 65 and older relies on Social Security for 65 percent of income, and those 75 and older count on it for 75 percent of income. Hispanic seniors and non-married women rely on Social Security for three-quarters of their income.[2]

For the three-year period from 2000 through 2002, Social Security benefits lifted 151,000 Colorado seniors above the poverty line. Only 7 percent of Colorado seniors had income below the federal poverty line during this period. Without Social Security, it would have been 43 percent.[3]

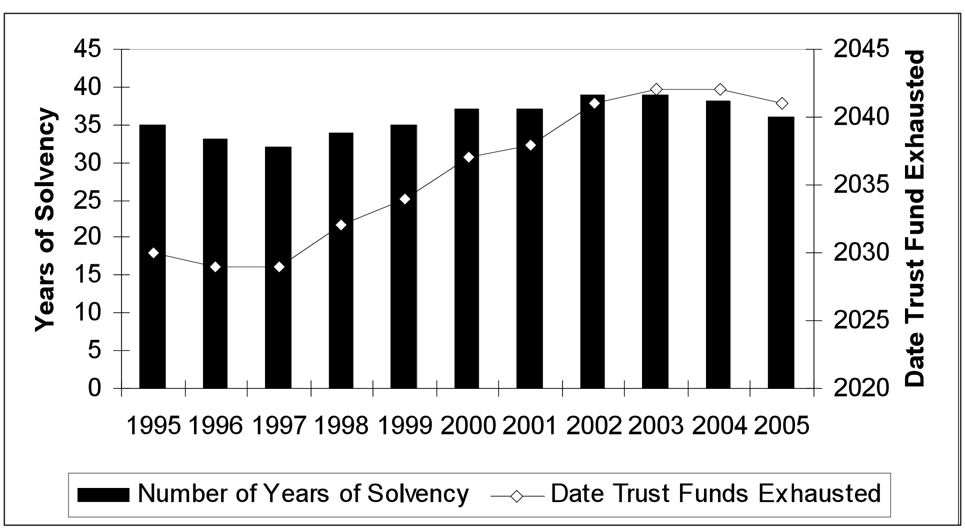
Before Medicare, medical costs threatened the economic security of many seniors. The creation of Medicare in 1965 substantially altered the picture by reducing the burden of health care costs for most elderly Americans. Today most Colorado seniors depend on Medicare for health care. Only 1 percent of Coloradans aged 65 and older lack health insurance, compared to 14 percent of those aged 60 to 64.[4]

Projected solvency of Social Security and Medicare

Because so many Colorado seniors depend heavily on Social Security and Medicare, and because many more will depend on these programs in the future, the financial soundness of both programs is crucial to their economic well-being.

Both programs are funded by payroll taxes paid by most American workers. Revenues in excess of current costs are deposited in trust funds to support the programs in the future.

Figure 1. Social Security trustees intermediate projections of the solvency of the Old Age and Survivors Insurance Trust Fund



Source: Bell calculations based on annual reports of the Trustees of the Social Security and Medicare trust funds, 1995 – 2005.

Each year the trustees of the Social Security System project the solvency of both programs. Recent projections suggest both programs need adjustment to ensure their long-term solvency.

Social Security

The trustees make three projections each year: a low cost, a high cost and a best estimate projection. These estimates are based on current law and factors such as birth rates, life expectancy, economic growth and immigration. As a result, health of the system changes from year to year.

Figure 2, on the facing page, shows the trustees' best estimate projection for solvency of the Old Age and Survivors Insurance (OASI) Trust Fund from 1995 through 2005, and shows the number of years into the future the trustees project the system to remain solvent.

In 2005, the trustees projected the fund will exhaust its assets in 36 years, far short of the goal of 75 years of solvency. But even if the assets in the trust fund are exhausted, Social Security is projected to be able to pay 68 percent of the benefits promised under current law in 2080, 75 years from 2005.[5]

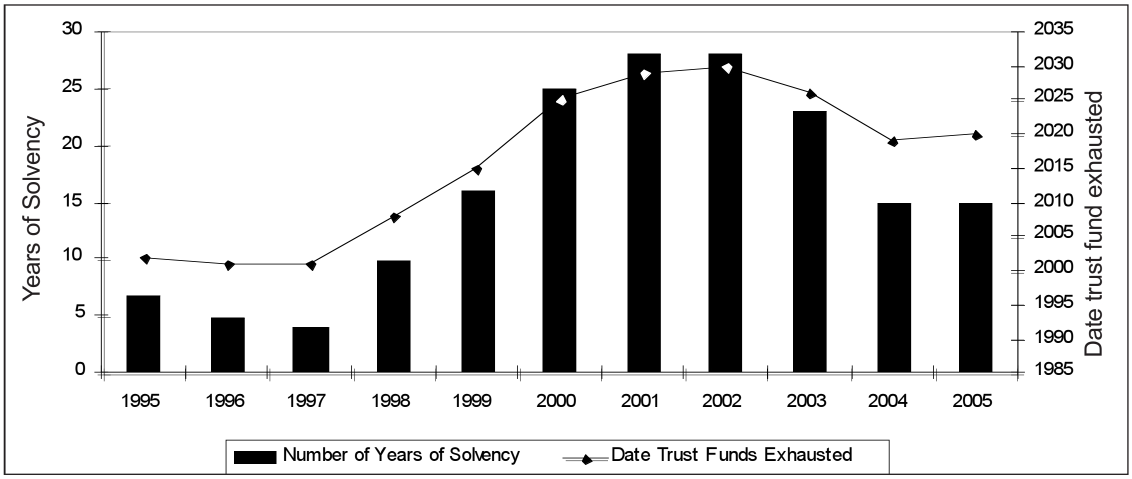
Medicare

Despite national attention on the Social Security system, it is Medicare that faces the most immediate and serious challenges. In 2005, the Social Security trustees' best estimate indicates assets in the Hospital Insurance Trust Fund will be exhausted by 2020, far short of the desired goal of projected solvency for 75 years.

Expenses for doctor's bills and other expenses incurred by outpatients and the newly enacted prescription drug benefits are financed through monthly premiums charged to beneficiaries and general fund appropriations from the federal treasury.

In order to maintain the fiscal soundness of the entire Medicare system, the federal government will have to appropriate sufficient funds to cover doctor's bills and prescription drug costs, raise the premiums charged to beneficiaries, increase payroll taxes going toward the Hospital Insurance Trust Fund, reduce or restrain increases in health care costs, or a combination of all of these.

Figure 2. Social Security Trustees intermediate projections of the solvency of the Hospital Insurance Trust Fund



Source: Bell calculations based on annual reports of the trustees of the Social Security and Medicare trust funds, 1995 – 2005.

Backgrounder: Seniors are the fastest growing age group in Colorado.

As the Baby Boom generation ages across the United States, Colorado will see a rapid increase in the number of residents 65 and older. In fact, this will be the fastest growing segment of Colorado's population over the next 25 years.

The number of Colorado residents in this age bracket is expected to increase by 505,300, or 112 percent, according to the U.S. Census Bureau. Among those 65 and older, the fastest growing segment is expected to be those aged 85 and older, which is projected to increase by 87,438 or 196 percent.

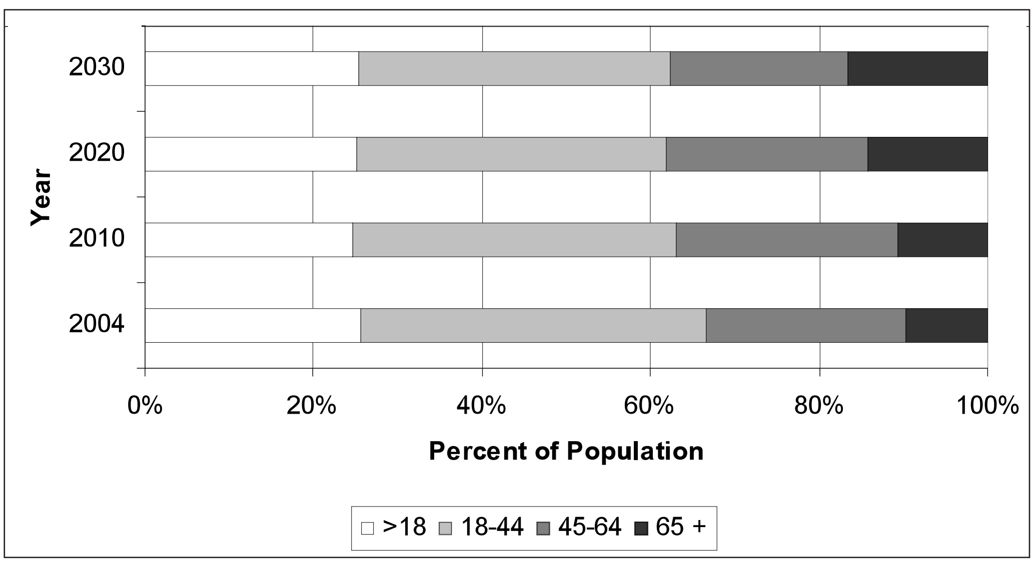
Even with these increases in the senior population, Colorado will remain one of the youngest states in the nation.

Currently, Colorado ranks 48th in the percentage of its population aged 65 and older. By 2030, Colorado is projected to be ranked 47th for population aged 65 and older.[6]

In 2004 there were 15 people aged 65 and older per 100 people aged 20 to 64. Known as the old age dependency ratio, this measures the number of people who are retired or getting ready to retire for every 100 people who are still likely to be in the workforce.

Stated another way, in 2004 there were 6.7 working-age Coloradans for every person of retirement age. By 2030, that number is expected to decline to 3.3 working-age Coloradans for every person of retirement age.[7]

Figure 3. Projected Colorado population by age 2004 – 2030



Source: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.

Indicator 1: Colorado workers participating in workplace retirement plans

Most Coloradans will rely on pension payments, personal savings and Social Security payments to replace their earnings when they retire. Generally thought of as a three-legged stool, these income streams help people maintain their standard of living during retirement.

Payments from employer sponsored retirement plans can be a significant source of income for retirees. However, not all workers are covered by pension plans and not all of those who are choose to participate. Low-wage workers and minorities are less likely to participate in retirement plans at work.

From 2002 to 2004, 42 percent of Colorado workers were covered by employer sponsored pension plans. The national rate was 45 percent. The 58 percent of Colorado workers not covered by pension plans at work amounted to nearly 1.4 million people.

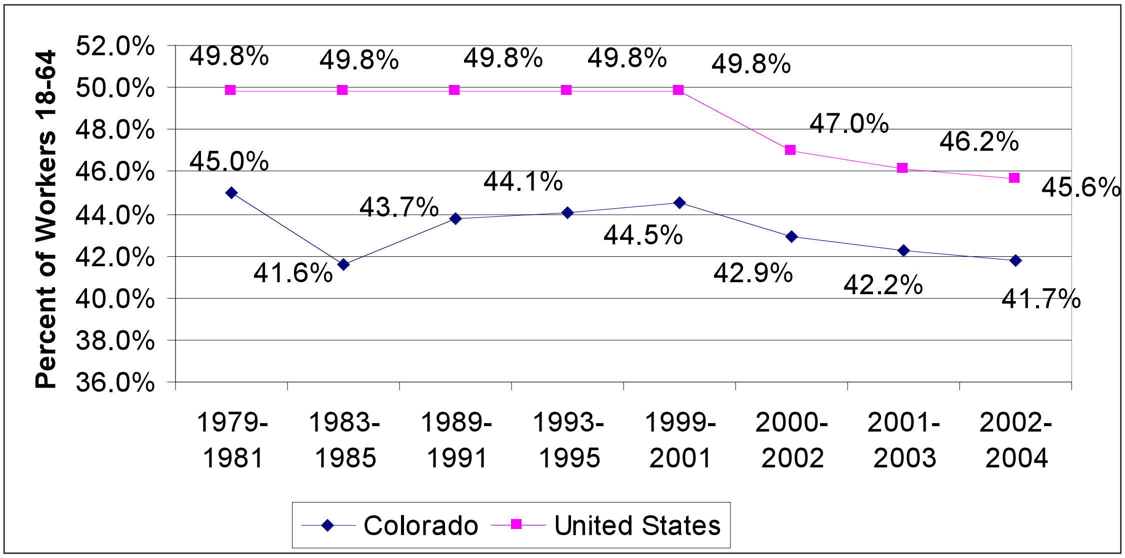
Workplace retirement plans changed over the past 25 years. The number of defined contribution plans, such as 401(k) plans in which employees invest a portion of their salaries, sometimes matched by employers, have increased.[8] This trend shifts to workers the responsibility of funding and managing retirement.

Surveys by the U.S. Department of Labor show that nationally, workers who make less than $15 per hour, work for small businesses or work in rural areas are less likely to participate in retirement plans than higher-wage workers, workers in large firms or those who work in metro areas.

Data on businesses offering retirement plans closely track data showing employee coverage and participation in retirement plans. Nationally, 49 percent of firms with less than 100 employees offer pension plans compared with 90 percent of firms with 100 or more employees. Metro businesses are more likely to offer retirement plans and fewer businesses in the intermountain West offer plans than businesses nationally.[9]

Currently, higher income, male or white workers are more likely to participate in pension plans and have more retirement savings than low-wage, female or minority workers.[10]

Figure 4. Percent of Colorado and U.S. workers 18-64 covered by an employer pension plan, 1979-81 to 2002-2004 (two-year moving averages)



Source: Economic Policy Institute analysis of data from the U.S. Census Bureau, Current Population Survey, March Supplement 1979 – 2005.

Indicator 2: Financial soundness of Colorado-based pension plans

As the recent experience of United Airlines retirees shows, pension benefits for Colorado retirees depend on the financial soundness of pension plans offered by private and public entities in Colorado.

Public sector pensions

Colorado's Public Employees Retirement Association (PERA) is the retirement system for most public employees, including state workers, teachers and municipal workers throughout the state. Government workers and their employers contribute to the PERA plan in lieu of Social Security.

At the end of 2004, PERA had a funding ratio of 70.6 percent, meaning it had about 71 cents in assets available to pay each $1 in estimated long-term liabilities. This represents $11.3 billion in unfunded liabilities.[11]

Unless benefits are reduced or contributions increased, some estimates show the plan insolvent by 2035. Estimates indicate that PERA needs about $400 million a year in additional contributions to stabilize the fund.

As of July 2005, approximately 365,000 employees and former employees from about 400 workplaces participated in PERA. In 2004, approximately 67,900 people received PERA benefits, including retirees and spouses of deceased beneficiaries. Almost 90 percent of all retirees and benefit recipients reside in Colorado.[12]

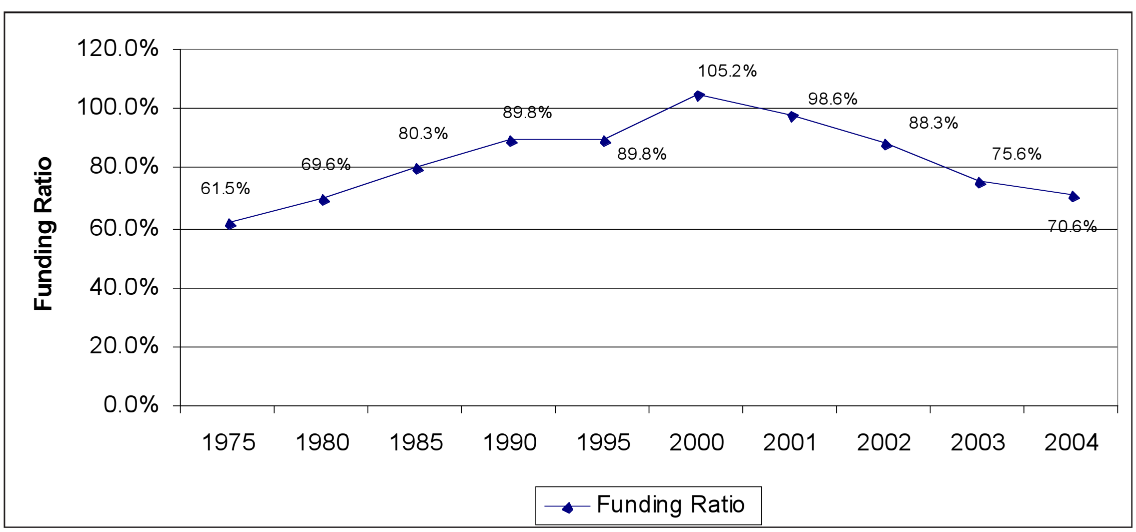
Private sector pensions

The U.S. Pension Benefit Guarantee Corp. (PBGC) takes over pension plans for companies in bankruptcy or those that can no longer pay their pensions. In 2002, the PBGC insured 323 pension plans offered by Colorado-based employers covering 385,353 employees.

PBGC reported that in 2002, the assets of plans offered by Colorado employers totaled $17.4 billion and liabilities totaled $15.6 billion.[13] **Although some plans may not have sufficient assets to cover the liabilities, overall Colorado pension plans had an excess of the assets over liabilities.**

It is important to note, however, that some plans (such as United Airlines) appeared to be adequately funded right up until the point they needed to be bailed out by the PBGC.

Figure 5. PERA funding ratio for selected years, 1975 - 2004



Source: Colorado Public Employees Retirement Association, Comprehensive Annual Financial Report for the fiscal year ended Dec. 31, 2004.

Indicator 3: Retirement assets owned by households

Assets in individual retirement accounts (IRAs), Keogh accounts, 401(k) plans and thrift savings plans can be used by workers to supplement income from pension plans and Social Security.

The portion of families nationwide with retirement accounts, including IRAs, Keogh accounts, 401(k) plans and thrift savings plans, increased from 49 to 52 percent between 1998 and 2001.[14] The median value of accounts increased by 11 percent, from $26,100 to $29,000. Most of the growth in value accrued to families in the top 40 percent of the income distribution.[15]

From 1998 to 2001, the percentage of white families with retirement accounts increased from 54 percent to 57 percent. During the same period, the percentage of minority families with retirement savings grew from 32 percent to 37 percent.

The median value of retirement savings accounts owned by white families increased from $28,300 to $35,000. However, the value of retirement assets owned by minority families declined from $14,200 to $10,000.

It is not clear whether this decline reflects a loss or simply the fact that many new participants may have opened their accounts with smaller amounts.

Table 1. Retirement asset ownership by household – 2001

Median family income	Percent owning asset		Median value of asset	
	1998	2001	1998	2001
$10,300	9.4%	13.2%	$6,500	$4,500
$24,400	30.9%	33.3%	$9,800	$8,000
$39,900	53.5%	52.8%	$13,100	$13,600
$64,800	69.2%	75.7%	$22,900	$30,000
$98,700	75.3%	83.7%	$47,100	$55,000
$169,600	87.5%	88.3%	$98,000	$130,000
All families	48.9%	52.2%	$26,100	$29,000

Source: Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances, Federal Reserve Bulletin, Federal Reserve Bank, Washington, D.C., January 2003

Table 2. Retirement assets ownership by race

Racial category	Percent of families owning asset		Median value of asset	
	1998	2001	1998	2001
White	53.7%	56.9%	$28,300	$35,000
Minority	32.1%	37.3%	$14,200	$10,000
All families	48.9%	52.2%	$26,100	$29,000

Source: Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances, Federal Reserve Bulletin, Federal Reserve Bank, Washington, D.C., January 2003

Indicator 4: Colorado seniors with long term care risk factors

The odds of suffering from a disability or chronic illness that requires long term care increases with age and identifiable risk factors. This is a significant health risk for Colorado's seniors and a potential drain on their retirement assets.

Among Coloradans most likely to need long term care services are seniors over 85, those with limitations in self-care or mobility, or those who live alone.

Seniors with long-term physical, mental or emotional conditions that make it difficult for them to dress, bathe or get around inside the house, and those who cannot go outside the home to shop or visit a doctor's office, are likely to need long term care services.

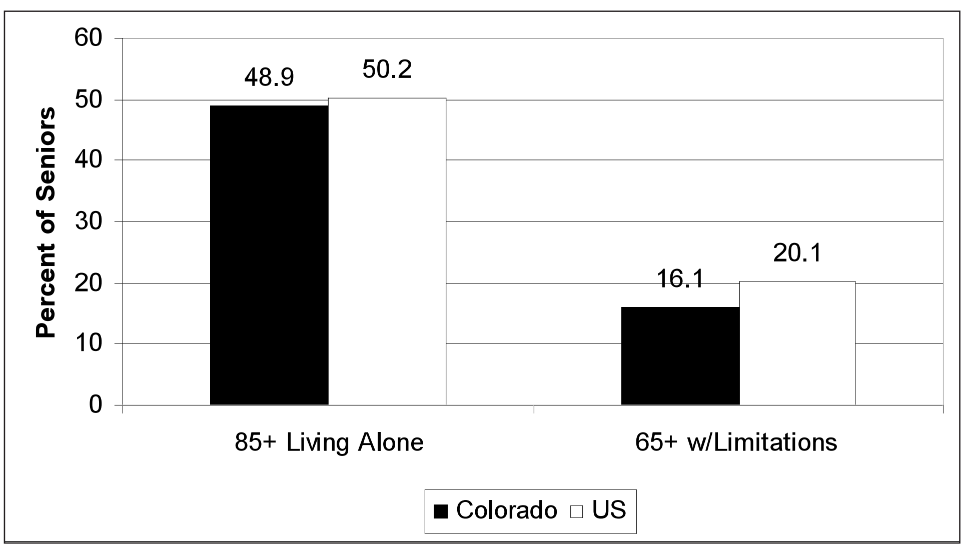
Of Coloradans 65 or older in 2002, 16 percent were limited in their ability to care for themselves or go out of the house, below the national average of 20 percent. Of Coloradans 85 and older in 2002, 49 percent lived alone, near the national average of 50 percent.[16]

Seniors over 85 are projected to be the fastest growing segment of Colorado's population over the next 25 years, increasing by 196 percent or 87,438 people.[17]

Most seniors will be eligible for Medicare when they turn 65, but many also will need supplemental insurance or additional savings to pay for care not covered by Medicare. As more people live into their 80s, growing numbers of Coloradans will need long term care.

The state Medicaid program, not the federal Medicare program, bears most of the costs for long term care. So growth in the number of residents who need these services poses a challenge to the state's budget.

Figure 6. Colorado and U.S. seniors with long term care risk factors, 2002



Source: AARP, Across the States, Profiles of Long-Term Care: Colorado, 2004.

What is Colorado doing?

Pensions and retirement savings

Most policies relating to pensions and Social Security are within the purview of the federal government.

Colorado operates the Old Age Pension Program (OAP), first added to the Colorado Constitution in 1936, to provide cash assistance to low-income people 60 and older. This program also provides health and dental care. To be eligible for OAP, a person must be a Colorado resident and a U.S. citizen or legal immigrant with a monthly income of less than $589 (76 percent of the federal poverty level) and less than $2,000 in available resources.

In FY 2005-06, it is projected that 4,985 seniors aged 60-64 will receive average monthly payments of $297 from the OAP program. Over 20,000 seniors 65 and older are expected to receive average monthly payments of $191 under the program.[18]

Health care services are provided to people who qualify for the OAP. Because the Legislature caps the annual expenses for the program at $10.7 million, the Medical Services Board reduced benefits and reimbursements to stay under the appropriations cap.

The Legislative Audit Committee reviewed the financial and performance audits conducted on the Colorado Public Employees Retirement Association (PERA) in July and August 2005. In September 2005, a special commission appointed by state Treasurer Mike Coffman to study the financial soundness of PERA made recommendations to strengthen the retirement system.

It is likely that the Legislature will consider bills to improve PERA's financial health during the 2006 session. The proposals could include increasing employer contributions, increasing employee contributions, cutting benefits, reducing cost of living adjustments for retirees and raising the age for retirement.

Homestead exemption

In 2000, Colorado voters approved the Homestead Exemption for qualifying seniors. The exemption excludes from property taxation 50 percent of the value of a senior's primary residence up to a set maximum. The homestead exemption was not funded for 2003 through 2005 due to the state budget crisis. With the approval of Referendum C, the Legislature is likely to consider fully funding the Homestead Exemption.

Long term care

Colorado's Medicaid program covers individuals who make up to 300 percent of the federal Supplemental Security Income (SSI) payment level (about $21,000) and are in need of long term care services in institutions or their community.

There were about 9,300 Medicaid clients in nursing homes in FY 2004-05. The number of long term care patients in nursing homes has been declining as more services are being provided in community settings.

Long term care recipients include disabled as well as the elderly. In 2003, long term care comprised almost 35 percent of total Medicaid spending in Colorado, slightly higher than the 32 percent national average.

Because it is generally less expensive, Colorado provides long term care in community settings more frequently than the national average.

In 2005, the Legislature created the long term care advisory committee to study innovative ways of providing long term care. Staffed by the Colorado Health Institute, the committee is expected to report its recommendations by July 2006.

Colorado offers a permanent tax credit to help underwrite the costs of long term care insurance. The credit, equal to 25 percent of the amount paid for insurance during the year up to $150, is available to individual and joint filers with federal taxable income of $50,000 or less.

What more should Colorado do?

Retirement savings

Research has shown that shifting the method for enrolling in 401(k) plans from requiring employees to opt in to requiring them to opt out expands the number of workers, particularly low-wage workers, who enroll. Federal law and regulations allow companies to automatically enroll their workers in 401(k) plans and to deduct a percent of their wages to fund them.[19]

Recommendation: Colorado business, political and community leaders should lead an outreach and education effort to encourage Colorado employers to offer automatic enrollment in their 401(k) plans.

Increasing the number of employers that offer automatic enrollment will likely increase the number of workers, particularly those earning low wages, who participate in 401(k) plans.

Most small businesses do not provide retirement plans for their workers. Surveys show there may be many reasons for this, including cost, complexity and lack of demand from employees.

However, expanding the number of small businesses that offer retirement plans, even if they do not match contributions from workers, will help increase the number of workers who regularly save for retirement.

Recommendation: The governor and legislative leadership should appoint a commission of small business owners, pension experts, workers and policy makers to identify the barriers small businesses face in offering pension plans and to recommend actions to promote pension plans among small businesses.

One approach to making pension plans available to more workers is to create voluntary pension accounts accessible to all workers in Colorado. This idea is similar to a proposal developed by Dean Baker at the Center for Policy and Economic Research and considered by the Washington Legislature.

Such accounts would be defined contribution plans that could be administered by PERA or another appropriate entity and open to anyone who works in Colorado.

Workers would contribute part of their earnings to accounts similar to the defined contribution accounts that PERA offers to its members. Employees could contribute to the same account even if they change jobs within Colorado. Employers could also contribute a matching amount but would not be required to do so.

This approach would offer an easy and inexpensive way for small businesses to offer retirement plans for their employees.

Information online:

Retirement Security Project: www.retirementsecurityproject.org/
Social Security System Trustees Reports: www.ssa.gov/OACT/TR/
Social Security Administration Office of Policy: www.ssa.gov/policy/
Social Security Administration Retirement Research Consortium:
www.ssa.gov/policy/about/partnerships.html
Federal Reserve Board Survey of Consumer Finances:
www.federalreserve.gov/pubs/oss/oss2/scfindex.html
Colorado Public Employees Retirement Association (PERA): www.copera.org/

Research shows that these types of accounts would help lower-income workers, most of whom do not currently have access to retirement accounts at work, build pension assets.

There are initial costs associated with setting up the accounts. Congressional approval is also required to allow Colorado participants to benefit from the tax incentives afforded participants in other plans.

Recommendation: The Legislature should establish Colorado voluntary pension accounts to provide access to retirement plans for all Colorado workers. These accounts should be portable, allowing workers to contribute to them from each job they have in Colorado.

Retirement fund solvency

Congress and the president should enact changes to ensure the solvency of the Social Security system. Research indicates that individual accounts such as those proposed by President Bush will not help the long-term solvency of the system, and may negatively affect significant portions of Colorado retirees, such as Hispanics.

But other changes, such as raising the income level subject to FICA taxes, raising the amount exempted under the federal estate tax and dedicating its revenue to the Social Security trust fund, or even raising the retirement age, should be considered.

Of more immediate concern is the financial crisis facing Medicare. Congress and the president should take immediate steps to increase funding and reduce expenses in a system that is projected to be insolvent by 2020.

While reducing expenses, priority should be placed on meeting the essential health care needs of America's seniors.

Congress also needs to ensure that the Pension Benefit Guarantee Corp. is adequately funded to pay the pension benefits for those workers in bankrupt companies or bankrupt plans.

Recommendation: Colorado's congressional delegation should take action to ensure the long-term solvency of the Social Security and Medicare trust funds. They should reject efforts to create personal accounts that will not help the long-term solvency of the retirement system.

Recommendation: Colorado's congressional delegation should take the necessary action to ensure that the Pension Benefit Guarantee Corp. is adequately funded to protect workers pensions.

Closer to home, almost 365,000 government employees are counting on the Public Employees Retirement Association for their retirement.

Colorado has a moral obligation to ensure those who have worked for the state, schools or cities receive the benefits they deserve from the state pension system. This is especially critical since many PERA recipients receive few if any Social Security benefits.

Recommendation: The Legislature should ensure that PERA is adequately funded. This may require a combination of rate increases for employers and employees and restructuring of benefits.

Conclusion

In this 2005 State of Opportunity report, we look at 39 indicators and make 55 recommendations. Together, these give an accurate picture of the state of opportunity in Colorado and point us toward policies that will enhance opportunity for all.

Now it is time to act. We invite you to join us in calling for public policies that help Colorado's children, families, working adults and seniors. Let's make opportunity our guide in writing our state budget and setting public priorities.

Let's commit to making the vision of opportunity for all a reality for all.

This report shows that, in the effort to provide economic security, Colorado has a head start.

We are a relatively prosperous state with a low poverty rate. We have a strong and well-educated workforce that feeds a dynamic, innovative economy. In general, our challenges are less daunting, and our capacity to meet those challenges is greater, than other states.

But the challenges we face are significant, and given our prosperity we have an obligation to address them.

It matters that nearly 15 percent of kids and 19 percent of adults in Colorado are without health care coverage, and that services for those with mental illnesses and substance abuse problems are scarce.

If we let opportunity guide us, we will find a way to expand health coverage to all children and more adults, and we will increase mental health and substance abuse services for children and adults.

It matters that large numbers of students are not proficient in key subjects like reading and math, that nearly 30 percent don't finish high school, and that these problems are especially acute among minority kids.

If we let opportunity guide us, we will make eliminating the achievement gap our top priority, we will find effective ways to increase performance and graduation rates across the board, and we will create a true P-16 system that moves more kids into the Cycle of Opportunity.

It matters that few Coloradans make it to college; that fewer stay there; and that those African-American and Hispanic students who do go to college mostly earn certificates or associates degrees rather than bachelor's or advanced degrees.

If we let opportunity guide us, we will commit to funding College Opportunity Fund stipends at a consistent level from one year to the next, we will increase the level of need-based financial aid, and we will work to maintain access to college and training in every corner of Colorado.

And it matters that nearly one-third of working adults make less than a family needs to be self-sufficient; that over half are not covered by employer-based pension or retirement plans; and that programs essential to retirement security face serious financial problems.

If we let opportunity guide us, we will make self-sufficiency the measure of a family's economic well being, we will increase the minimum wage and enhance tax incentives for low-income families, we will help businesses provide more workers with health insurance and pension plans, and we will demand our federal government make Medicare and Social Security solvent for the long term.

These are the issues the Bell Policy Center will be focusing on in the coming legislative session and beyond.

We believe they are moral issues that will determine the kind of state Colorado will become. With the passage of Referendum C, we now have a unique opportunity to focus on those investments that will most enhance the well-being of Colorado families.

Used wisely, the revenues generated by Referendum C will make a significant difference.

We are a fortunate state, and we have a moral obligation to use our prosperity to spread opportunity – to ensure that anyone who works hard has the opportunity to succeed.

We invite you to join us in making that vision real across our state.

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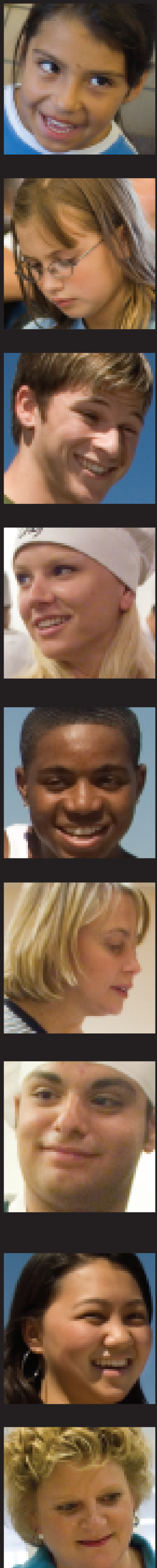

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