

# Opportunity Lost

*2010 update*

In 2004, we said too many Colorado families  
couldn't get by even by working hard.  
It's more true today.

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Bell Policy Center

# OPPORTUNITY LOST EXECUTIVE SUMMARY

***“Coloradans work hard,  
but many working families  
still struggle to get by.”***

That was the bottom-line finding of the Bell Policy Center’s 2004 *Opportunity Lost* report on the state of Colorado’s poor and low-income working families.<sup>1</sup> Six years later, things have not improved. In fact, the most recent data shows conditions have deteriorated in most of the categories we first measured in 2004.

In this report, we assess how low-income working families in Colorado fare on almost two-dozen measures of economic well-being and the potential for future advancement. We compare our findings to those in our 2004 report and show how Colorado performs relative to other states. We also describe current economic conditions facing Colorado and recommend public policies that will help low-income working families improve their conditions and promote opportunities for educational advancement.

These families work hard. They clean our offices, serve us fast food, and make our hotel beds. They represent an essential segment of our workforce, and their contributions are important to our state’s economy.

But they are not keeping up economically. Instead, they are sliding further away from self-sufficiency and the American Dream. That has dangerous implications for the economic strength of our state and the quality of life we all enjoy. Since 2004:

- The number of working families living in poverty in Colorado has grown by 16,000, or 50 percent, and these families represent a larger percentage of the workforce.
- The percentage of working families who do not earn enough to meet their basic needs rose from 20 percent to 25 percent.
- Those workers without any type of employer-

provided pension grew by almost 275,000 and now comprise 60 percent of Colorado’s workforce.

If anything, conditions are even worse than these measures indicate, since the data upon which they are based were collected before Colorado felt the full effects of the most severe economic downturn since the Great Depression.

The U.S. economy officially entered into recession in December 2007, with Colorado following suit in the fall of 2008. And while Colorado has fared better than many states and the nation as a whole, many of the families covered by this report nevertheless suffered significant – and likely disproportionate – harm. The severity of this recession is reflected in the following statistics.

- Total state personal income, a broad measure of the strength of Colorado’s economy, declined 2.1 percent in 2009 – the first yearly decline since 1938. It is expected to grow 2.3 percent in 2010, but in most years it grows about 5 percent.
- Colorado’s unemployment rate rose from 5.2 percent in September 2008 to 8.6 percent in November 2010. While better than many other states and the nation as a whole, this is the highest unemployment rate in Colorado since 1983.
- The underemployment rate of 14.6 percent in mid-2010 shows that about one in seven Colorado workers is either not working or cannot find full-time work.
- Since the recession began, there have been double-digit increases in the number of Coloradans using safety-net services such as Medicaid, food stamps and public assistance.

These numbers are very troubling, but the good news is we can do something about them. There are proven actions Colorado can take to provide greater opportunities for these families to advance toward self-sufficiency and economic independence.

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# OPPORTUNITY LOST EXECUTIVE SUMMARY

## Adult basic education

A major focus of this report is adult education, because adults without high school diplomas or GEDs are underprepared for the 21st century workforce. Helping adults increase their education and develop greater skills can open pathways out of poverty and toward self-sufficiency.

We found that almost half of Colorado's working families in poverty have a parent without a high school diploma or GED. And only about one in 25 Colorado adults without a high school diploma or GED is enrolled in an adult-education program, making Colorado fifth-worst among the states. We are almost at the bottom among all states in the amount of resources dedicated to adult education. Colorado appropriates *no* state funds to this purpose.

We must do better if we want to help these families succeed. Through public policies and investments, we can provide adults more access to education and skills development, make post-secondary education more accessible and affordable, and ensure our education and workforce-development systems jointly help workers obtain the skills to get ahead.

## Post-secondary education

For those adults who have earned high school diplomas or GEDs, additional education or training is often needed to qualify for jobs that pay enough to support their families. Colorado has a highly educated workforce, ranking second-best nationally in terms of the number of adults with *only* a high school diploma or GED. But this is because many Coloradans with post-secondary degrees moved here as adults. Colorado actually ranks sixth-worst among all states in the percentage of adults who were born in-state and have earned a post-secondary degree. This problem is particularly acute among African-Americans and Hispanics. We need to do a better job helping our "home grown" students earn post-secondary degrees.

In recent years, the cost of post-secondary education has risen significantly for families as Colorado has

relied heavily on tuition increases to make up for diminishing state support for higher education. Colorado now depends on tuition for a greater percentage of higher education operating revenues than all but four other states.

The result is that more and more Colorado families are in danger of being priced out of the higher education system. For Colorado's poorest families (lowest 20 percent of annual income; \$12,153 median income), community college costs now consume 50 percent of annual income, even after financial-aid is factored in. The net cost of attending a public four-year college consumes 69 percent of their annual family income.

Clearly, "the math doesn't work" for these families in terms of college as an affordable option. Devoting more state funds to higher education and significantly expanding need-based financial aid are important actions to ensure all Coloradans, regardless of their income, have a better shot at earning college degrees.

## Expanding job opportunities and making work pay

The number of working families who do not earn enough to meet their basic needs has increased five percentage points since 2004. In addition to policies that improve skills and access to education and training, there are a number of policy options to help make low-wage jobs pay better and help families make ends meet. These include expanding and making permanent the state Earned Income Tax Credit as well as policies that encourage partnerships with businesses to help workers save for retirement.

Creating more jobs is a critical component of growing the economy and helping more families find work and make ends meet. But research shows some policies to promote economic development and jobs often do not work as intended. These can include enterprise zone tax credits. Moving forward, we should be creative but vigilant not to squander much-needed revenues on questionable economic development efforts. In some cases, it would be more effective to eliminate tax breaks and use the increased revenues on policies proven to

## Acknowledgement

This report is part of the Bell Policy Center's involvement as a state partner in the Working Poor Families Project, a national initiative supported by the Annie E. Casey, Ford, Joyce and Mott foundations that

seeks to strengthen state policies that can assist families striving to work their way into the middle class and achieve economic security. We gratefully acknowledge the project's support of our work.



# OPPORTUNITY LOST EXECUTIVE SUMMARY

help working families.

## State revenues

In the end, we are limited in our ability to pursue policies that help create opportunities for working families because of a severe lack of state revenues. This is not a matter of the state having the wrong priorities in how it spends its money. Nor is it a temporary shortfall that will go away when the economy improves. This is a structural shortfall that existed before the current recession hit and will continue after we recover. Simply put, Colorado’s current tax structure does not generate enough revenues – in good times or in bad – to

support the critical public structures and systems we need to underpin a prosperous economy.

*Therefore, our top recommendation is that Colorado’s citizens increase state revenues and apply a portion of them to those public systems and services that expand opportunities for our state’s working families.*

Achieving this last recommendation will not be easy, but it will be essential to adequately fund the recommendations in this report and to make Colorado a state of opportunity for all, including poor and low-income working families.

## GLOSSARY

**FAMILY:** Married-couple or single-parent family with at least one child under age 18.

**WORKING FAMILY:** A family where all family members age 15 and over have a combined work effort of 39 or more weeks in the last 12 months, or all family members age 15 and over have a combined work effort of 26 or more weeks in the last 12 months and one currently unemployed parent looked for work in the previous four weeks. The federal government defines family income as based on all family members age 15 and over.

**WORKING POOR FAMILY:** A working family with an income below the threshold for poverty as defined by the U.S. Census Bureau (\$22,050 for a family of four in 2010).

**LOW-INCOME WORKING FAMILY:** A working family of four with an income below 200%, or double, the threshold for poverty as defined by U.S. Census Bureau (\$44,100 for a family of four in 2010). Double the poverty threshold is used as a proxy for economic “self-sufficiency” or “family living standard,” the income a family requires to address basic needs, including housing, food, clothing, health care, transportation and child care.

**MINORITY:** A person who does not classify himself or herself as white, non-Hispanic.

**LABOR FORCE:** Persons with a job or without a job and actively seeking one.

### MARGINALLY ATTACHED TO THE LABOR FORCE:

Persons who are not in the labor force, have looked for work in the past 12 months, want a job and are available for work.

### EMPLOYED PART-TIME FOR ECONOMIC REASONS:

Persons currently working a part-time job and who would prefer, but cannot find, a full-time job.

**INCOME:** Money income only, non-cash benefits not included.

**LOW-WAGE:** A wage below the full-time, full-year wage required to keep a family of four out of poverty. In 2010, a family of four required \$22,050 to stay out of poverty (at least \$10.60/hour on a full-time, full-year basis). For the Percent of Workers in Low Wage Jobs measure, the national low-wage figure is adjusted by the state’s cost of living index, as published in Annual Federal Budget and the States by the Taubman Center for State and Local Government, Kennedy School of Government, Harvard University.

**WORKERS IN CONTINGENT JOBS:** Workers with jobs of limited duration or otherwise not considered to be permanent. Such jobs include temporary work provided by the employer or arranged through a temporary staffing agency; independent contracting; a job with an employee leasing firm; on-call work; and day labor.

**CIVILIAN NON-INSTITUTIONAL POPULATION:** Persons 16 years of age and older who are not inmates of institutions (for example, penal and mental facilities and homes for the aged) and who are not on active duty in the Armed Forces.



# OPPORTUNITY LOST EFFECTS OF RECESSION ON COLORADO

## Hardships worsen as downturn continues

Because much of the data in this report was collected before the effects of the current recession were fully apparent, it undoubtedly underestimates the actual, real-time difficulties being experienced by low-income working families in Colorado. As a result, it is important before focusing on our findings related to low-income working families to first paint a general portrait of how the “Great Recession” affected economic conditions in our state.

Overall, the impact of the recession is clear. Coloradans lost jobs, incomes fell, demand for social services skyrocketed and poverty rose.

- The November 2010 unemployment rate was the highest since 1983.<sup>2</sup>
- The number of jobs statewide dropped 6.6

percent, or 106,100, in 2009, and is expected to drop by 1.5 percent, or 33,700, in 2010.<sup>3</sup>

- Total state personal income, a broad measure of the state’s economy, declined in 2009 for the first time since 1938.<sup>4</sup>
- The number of Coloradans using Medicaid is up by 39 percent over pre-recession levels<sup>5</sup> and the number of families using food stamps has increased by 70 percent.<sup>6</sup>
- Colorado’s poverty rate, while less than the national average, has been rising throughout the decade.<sup>7</sup>

While the national recession has ended and a recovery is under way, the climb back to pre-recession levels of employment may take years.

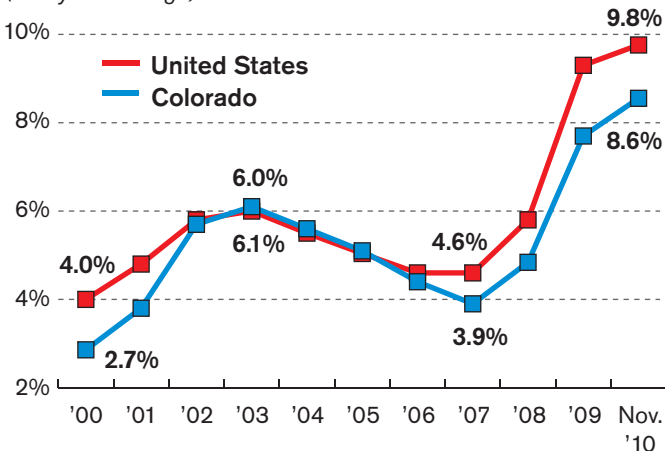
This section examines current economic conditions in Colorado and focuses on job growth and unemployment, growth in total state personal income and the use of safety-net services.

## As economy weakens, workers feel pain

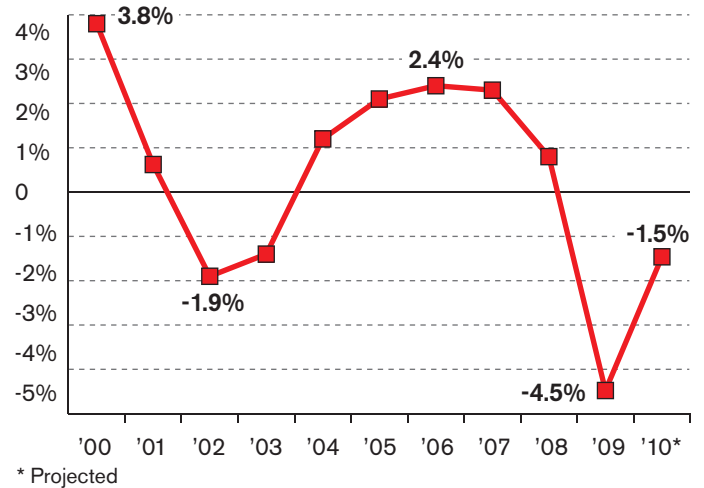
Colorado’s economy tends to run somewhat counter to national trends, but it is, of course, heavily influenced by national economic conditions. During 2008 and 2009, the U.S. suffered its greatest decline since the Great Depression. The U.S. economy officially entered recession in December 2007 and since then has shed 7.4 million jobs, or 5 percent of the pre-recession level.<sup>8</sup> The national unemployment rate rose to the highest rate in a decade, 10.1 percent in October 2009, then fell to 9.5

### U.S. and Colorado unemployment rate

(Full-year average)



### Colorado’s employment growth rate



percent in June 2010 before rising to 9.8 percent in November 2010.<sup>9</sup>

Colorado’s economy entered what has been called the Great Recession in the fall of 2008. Its severity is clearly evident when looking at the number of jobs lost, the rate of job growth and unemployment rates.

### Job growth and unemployment

The number of jobs in Colorado grew by 2.1 to 2.4 percent each year from 2005 through 2007. However, jobs grew at a pace of less than 1 percent in 2008. The rate turned negative in 2009, dropping by 4.5 percent,





# OPPORTUNITY LOST EFFECTS OF RECESSION ON COLORADO

or 106,100 jobs. The number of jobs is projected to drop by another 1.5 percent, or 33,700 jobs, in 2010.<sup>10</sup> Our economy lost 140,000 jobs, or 5.9 percent of total jobs, from September 2008, when the recession hit Colorado, through November 2010.<sup>11</sup>

As a result, many Coloradans are finding it hard to get and keep a job. The number of unemployed Coloradans grew by 87,700 between September 2008 and November 2010, reaching a total of 229,900.<sup>12</sup> The unemployment rate rose from 5.1 percent in September 2008 to 8.3 percent in June 2009, before dropping to 7.3 percent in December 2009 and rising to 8.6 percent in November 2010.<sup>13</sup>

While the unemployment rate is 1.2 percentage points below the national average of 9.8 percent, it is the highest it has been since it hit 8.7 percent in February 1983 and more than two percentage points higher than it was in 2003, the height of the last recession.<sup>14</sup>

Another way to measure the effects of the recession is to look at “underemployment.” This measure accounts for the number of workers who are unemployed plus those that gave up looking for work but who want a job and those who are forced to work part-time because they cannot find full-time work. This measure more fully captures the extent to which workers are struggling to find work in the current economy.

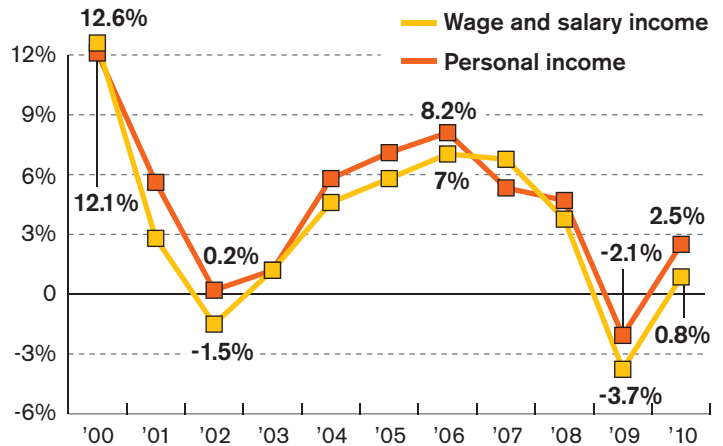
Colorado averaged a 14.8 percent underemployment rate from the fourth quarter of 2009 through the third quarter of 2010.<sup>15</sup> Again, while Colorado’s rate may be better than the national underemployment rate of 16.8 percent, it is higher than it has been since 2005, the first year that the U.S. Bureau of Labor Statistics has data for the states.<sup>16</sup>

## Growth in total state personal income

Another measure of the health of Colorado’s economy is the growth in total state personal income. Over the last two decades, Colorado’s total state personal income grew an average of 6.5 percent per year. However, in 2009 total state personal income contracted by 2.1 percent, the only year since 1938 that Colorado saw a decline in total state personal income.<sup>17</sup> The decline in 2009 was considerably worse than the 0.2 percent growth in total personal income experienced in 2002, at the depth of the last recession. Personal income is expected grow by 2.3 percent in 2010.<sup>18</sup>

A key component of total state personal income is wage and salary income. During 2009, total wages and salaries in Colorado fell by 3.5 percent, twice as large a

## Growth in Colorado personal income, wage and salary growth



decline as occurred during the 2001-2003 recession.<sup>19</sup> Total wages and salaries are projected to grow in 2010 by less than 1 percent and will continue to be lower than pre-recession levels.<sup>20</sup>

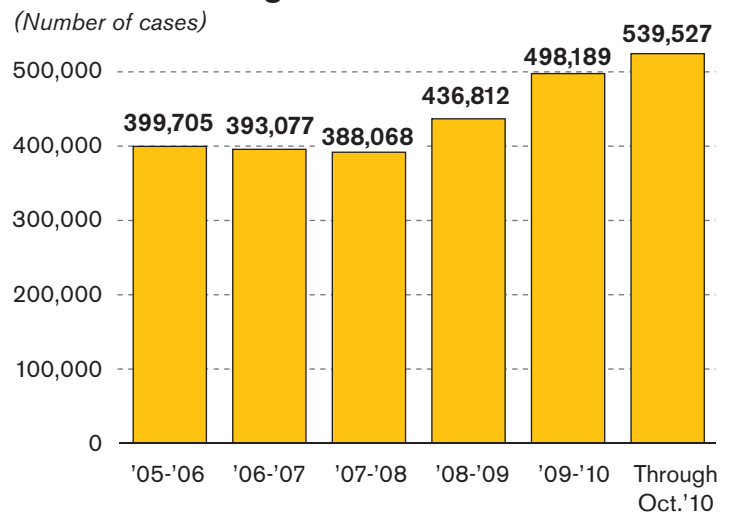
## Safety-net services

As unemployment increased and wages fell, more Coloradans turned to safety-net services to get by. As workers lose jobs, many also lose their health care benefits. As incomes drop, more workers qualify for Medicaid and other public health services.

The average number of people receiving Medicaid benefits increased to 539,527 in October 2010. This represents an increase of more than 150,000 people, or 39 percent over the pre-recession annual average of 388,068 in fiscal year 2007-08.<sup>21</sup>

As incomes drop, more families are turning to the

## Coloradans using Medicaid



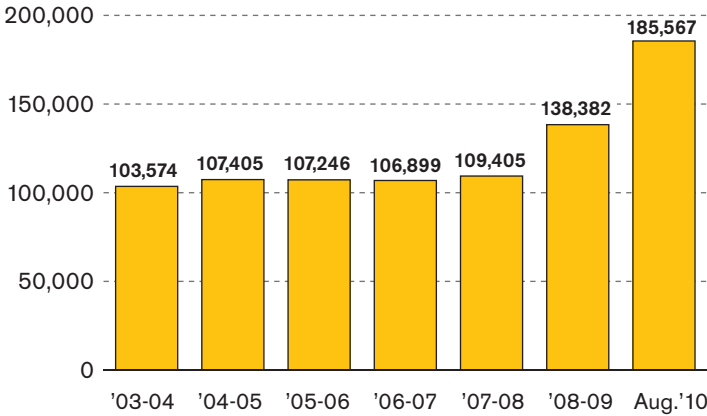


# OPPORTUNITY LOST

# EFFECTS OF RECESSION ON COLORADO

## Coloradans using nutrition assistance

(Number of households using food stamps)

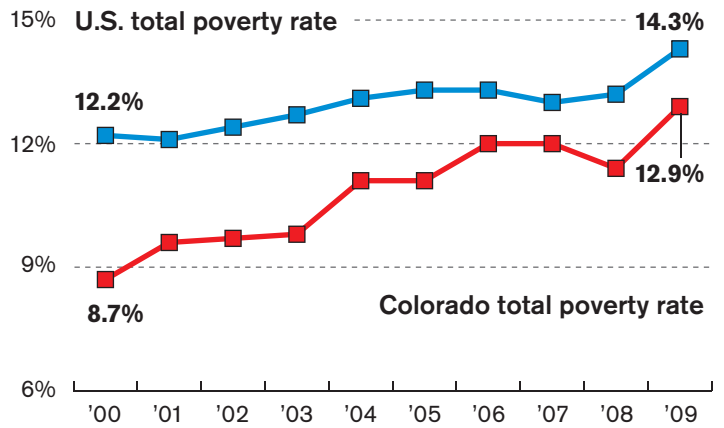


Supplemental Nutrition Assistance Program, or SNAP (food stamps). A total of 185,567 families received SNAP benefits in August 2010, 70 percent more than the 2008 monthly average of 109,405 and 43 percent higher than the 2009 monthly average of 138,382.<sup>22</sup>

The number of Coloradans receiving public assistance is also growing. There were 14,388 people receiving help under the Temporary Assistance to Needy Families (TANF) program in June 2010. This is a 51 percent increase over pre-recession levels.<sup>23</sup>

The number of Coloradans living in poverty has increased over the past decade, growing from 8.7 percent of all Coloradans in 2000 to 12.9 percent in 2009. The portion of our population living in poverty continues to remain below the national average, but the gap between them has narrowed from 3.5 percentage points in 2000 to 1.4 percentage points today. Colorado's overall poverty rate has grown by 48 percent between

## U.S. and Colorado poverty rates



2000 and 2009, while the national rate grew by about 17 percent over the same period of time.<sup>24</sup>

The rapid rise in poverty is particularly evident among children. The portion of Colorado children living in poverty grew from 9.7 percent in 2000 to 17.4 percent in 2009. As with overall poverty, Colorado's portion of children living in poverty is lower than the national average, but the gap has narrowed dramatically.

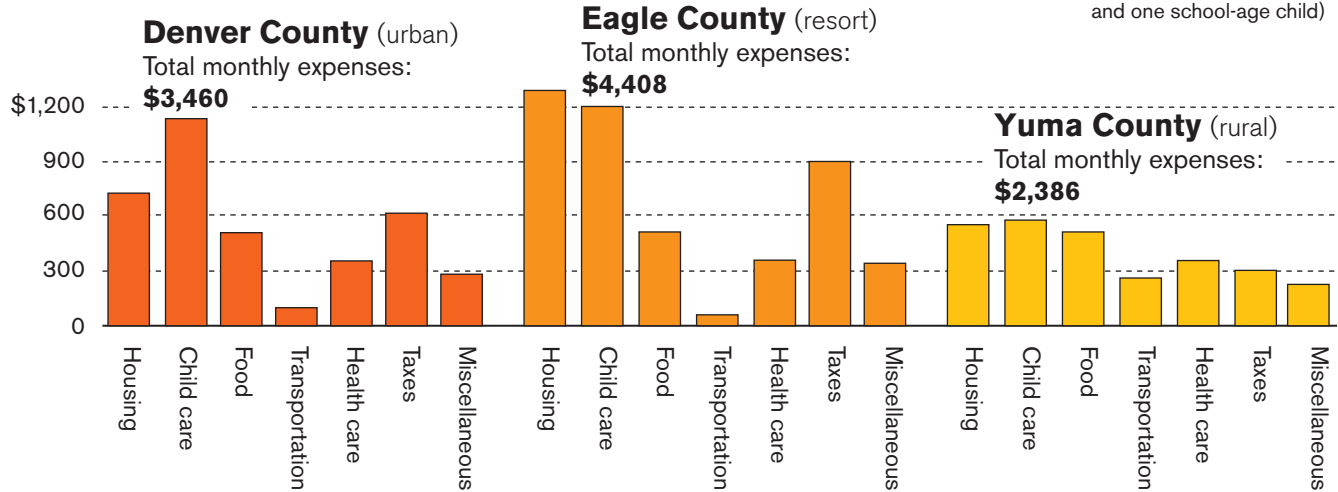
In 2000, Colorado was 7.1 percentage points better than the national average. By 2009, the gap dropped to 2.6 points. The share of Colorado children living in poverty grew by 89 percent, or about 100,000 children, over the last decade, while the national rate grew by 19 percent.<sup>25</sup>

By a variety of measures, then, it is clear that low-income working families face considerable challenges in 2010.



**Self-sufficiency standard for areas of Colorado\*** (2008)<sup>26</sup>

(Based on one adult, one preschooler and one school-age child)



**Poverty, low-income, self-sufficiency: What does it all mean?**

The data analyzed in this report refer to three different measures of working families’ economic status: **poverty**, **low-income** and **self-sufficiency**. It’s important to explain these terms more fully before presenting our findings.

A poor family is one that has an income below the **federal poverty level (FPL)** as defined by the U.S. Census Bureau. The poverty level is a national income threshold based on the cost of food for the number of people in a family, regardless of age. In 2007, the threshold was \$20,951 for a family of four. By 2010, the threshold increased to \$22,050.<sup>27</sup>

Although the federal poverty level is often used as the measure by which to gauge the level of economic distress experienced by an individual or family, it does not offer a realistic picture of the income needed to achieve self-sufficiency – that is, the income required to meet basic needs such as housing, food, clothing, health care, transportation and child care without any public or private assistance.

A **low-income family** is one with earnings below 200%, or double, the FPL. Most researchers and advocates agree that 200% of poverty is a more realistic gauge of families in economic distress than the FPL. Double the poverty threshold is often used as a proxy for economic “self-sufficiency” – the income a family requires to address basic needs, including housing, food, clothing, health care, transportation and child-care. In 2007, the low-income threshold for a family of four was \$41,902. By 2010, it was \$44,100.

Beyond the 200% of poverty threshold, some states, including Colorado, have developed their own **self-sufficiency standard**. Unlike the FPL, the self-sufficiency standard takes into account the broad set of basic needs noted above and computes the budget for a family based on whether there are one or two parents and the ages and number of children. The budgets used for the self-sufficiency standard include only the “bare necessities” – they do not include expenditures for food purchased in restaurants, savings of any kind, credit card payments or emergency funds.

Also unlike the FPL, the self-sufficiency standard is geographically specific. That is, it is computed based on the actual costs of goods and services in a county and state. We all know that costs can vary depending on where you live, and the self-sufficiency standard recognizes this reality. As the accompanying chart shows, a self-sufficiency income for a family of three (including one adult, one preschooler and one school-age child) varies significantly among Colorado’s urban, rural and resort counties. This is true not only for the total amount of income needed, but also for the specific components that make up the total.

All of this has important policy implications as we address the needs of working families. Getting families out of poverty is clearly the first order of business. But reducing or eliminating poverty, as defined by the FPL, cannot be the end goal. The real goal is to help individuals and families attain self-sufficiency so that the cycle of opportunity is opened for them.





***Even before recession,  
families were falling behind***

Given the pervasive and prolonged effects of the current recession, it is not a surprise that conditions for poor and low-income working families in the state have generally worsened since our 2004 report. What is most disconcerting, though, is that even before the severe economic downturn, these conditions had already deteriorated from 2004 levels.

Our 2004 report included a “report card” of almost two-dozen measures by which we graded Colorado’s efforts to help its working families. The grades were based on our state’s ranking on each measure compared to other states. For this report, we updated 21 of those measures for which recent national data

(generally from 2008 and 2009) were available.

Rather than providing grades in this update, however, we now provide a comparison between the 2004 report and these recent findings, using directional arrows to indicate whether Colorado’s percentages have improved or worsened.

Our main observation is that, for the vast majority of measures, conditions for Colorado’s working families have worsened. Overall, there are more working poor families, they represent a greater proportion of all working families and they are experiencing even more difficult conditions than we reported in 2004.

**On the next two pages, we present a report card that offers a look at the status of working families in Colorado.**



# OPPORTUNITY LOST

## REPORT CARD ON THE STATUS OF WORKING FAMILIES

Issue	2004 report		2010 report		Trend
	Colorado's numbers, percentages	Colorado's national rank	Colorado's numbers, percentages	Colorado's national rank	
<b>Working families</b>					
In poverty	32,124 (5.8%)	13th best	48,410 (8.3%)	25th best	↓
With income less than 200% of poverty	121,319 (21.8%)	11th best	151,875 (26.2%)	18th best	↓
<b>Poor working families</b>					
With a parent without GED or high school diploma	14,948 (46.5%)	9th worst	22,705 (46.9%)	5th worst	↓
With at least one parent without health insurance	12,271 (59.7%)	Because of small sample size, no ranking available	25,399 (60.6%)	4th worst	↓
Spend more than one-third of income on housing	25,695 (81.4%)	8th worst	39,705 (83.4%)	13th worst	↓
<b>Education and skills development</b>					
Adults 18-64 without GED or high school diploma	372,568 (13.5%)	24th worst	362,605 (11.3%)	25th best	↑
Adults 25-54 with only GED or high school diploma	425,124 (21%)	2nd best	473,165 (21.5%)	2nd best	↓
Adults 18-24 enrolled in post-secondary institutions	119,847 (31%)	25th best	184,170 (39.2%)	25th worst	↑
Minority adults 18-24 enrolled in post-secondary institutions	30,023 (23.4%)	19th worst	42,780 (28%)	8th worst	↑
Adults 25-54 enrolled in post-secondary institutions	135,841 (6.7%)	13th best	149,540 (6.8%)	13th best	↑
For poorest families, percent of family income needed to pay for community college	42%	14th best	50%	24th worst	↓
<p><b>Note:</b> Arrows indicate whether Colorado's percentages have improved or worsened since the 2004 report.</p>					



# OPPORTUNITY LOST

## REPORT CARD ON THE STATUS OF WORKING FAMILIES

Issue	2004 report		2010 report		Trend
	Colorado's numbers, percentages	Colorado's national rank	Colorado's numbers, percentages	Colorado's national rank	
<b>Education and skills development</b>					
For poorest families, percent of family income needed to pay for public four-year college	44%	13th best	69%	17th worst	↓
For poorest families, percent of family income needed to pay for private four-year college	144%	15th worst	226%	7th worst	↓
Percent of TANF participants enrolled in education or training	9.4%	NA	11.7%	8th best	↑
Percent of eligible Workforce Investment Act participant receiving training services*	44.8%	20th worst	54.5%	15th best	↑
<b>Employment opportunities, workplace benefits</b>					
Adults who hold part-time jobs for economic reasons	65,499 (2.9%)	21st worst	147,189 (5.6%)	22nd worst	↓
Unemployment rate	6%	18th worst	8.6%	25th best	↓
Workers in low-wage jobs	358,726 (19.7%)	9th best	461,171 (22.4%)	20th best	↓
Workers who hold more than one job	125,075 (5.8%)	23rd best	152,107 (6.1%)	18th worst	↓
Workers 18-64 without health insurance	424,114 (17.6%)	17th worst	482,046 (18%)	24th worst	↓
Workers without employer-provided pensions	1,377,653 (57.9%)	13th worst	1,651,614 (60%)	16th worst	↓

\* Based on 2006 program data for comparison purposes. Program data for 2008, which show Colorado's participation at 66 percent and our rank at 21st best, are not comparable due to an expanded definition of WIA training services.

**Note:** Arrows indicate whether Colorado's percentages have improved or worsened since the 2004 report.



# OPPORTUNITY LOST

## WORKING FAMILIES AND THE WORKING POOR

### *Just getting by gets even harder*

Who are Colorado's poor and low-income working families? As we noted in our 2004 report, they are the people who clean our hotel rooms, serve us at restaurants, care for our children and perform many of the services that we take for granted in our communities.

It would be nice to be able to report that we are making progress in Colorado in helping more working families meet their basic needs and become self-

sufficient. Unfortunately, the opposite is true. Since our 2004 report, more working families are living in poverty or in low-income households, and an increasing number include a parent who lacks the educational attainment necessary to access better job opportunities. In addition, more of Colorado's poor working families lack health care coverage and/or spend more than one-third of their income on housing.

This section examines the growth in Colorado's population of poor and low-income working families, and provides data on the increasing numbers who lack a high school education, health insurance and affordable housing.

Working families ... <sup>28</sup>	Colorado			U.S.		
	Number	%	Rank	Average	High state	Low state
... in poverty	48,410	8.3	25th best	8.8%	14.9% Mississippi	3.1% N.H.
... income less than 200% of poverty	151,875	26.2	18th best	28.8%	40.1% Mississippi	15.8% N.H.

**Despite the fact that Colorado is a relatively prosperous state, a significant and growing number of working families live in or near poverty. In fact,** even before the effects of the current recession, our state has seen both the number (48,410) and percent (8.3%) of working families living in poverty substantially increase since our 2004 report.

- Colorado has over 16,000 more working poor families now than we reported in 2004.
- Our state has gone from 13th best to 25th best in the nation on this measure.

For low-income working families, things have gotten worse, as well.

- One out of 4 (151,875) working families earn less than 200% of poverty, compared to 1 out of 5 (121,319) as noted in our 2004 report.
- Despite these growing numbers, Colorado ranks 18th best in the nation on this measure – a fact that highlights the concentration of low-income working families in states such as Mississippi, where 40% of working families fall into this category.

### **Working families in poverty with a parent without a high school diploma or GED<sup>29</sup>**

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
22,705	46.9	5th worst	38.2%	57% California	11.4% Maine

**When talking about poor and low-income families and the pathway out of poverty, education matters. Educational attainment is the most significant predictor of a family's income, and parents with low**

levels of education have a hard time supporting a family. Those with the least education struggle the most to get by.

- Colorado is fifth-worst in the nation in the



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## OPPORTUNITY LOST

# WORKING FAMILIES AND THE WORKING POOR

percentage of working poor families with a parent who lacks a high school diploma or GED (compared to ninth-worst in our 2004 report). That's 22,705 families – an increase of nearly 8,000 – facing a major obstacle to climbing out of poverty.

- The percentage of families in this category has also increased (from 46.5% to 46.9%) since our 2004 report.

The number of low-income working families in this category is two-and-a-half times greater than that of poor families. Nearly 56,060 Colorado families living at 200% of the federal poverty level have a parent who lacks a high school diploma or GED. Only four states fare worse than Colorado on this measure.

### Working families in poverty with at least one parent without health insurance<sup>30</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
25,399	60.6	4th worst	48.8%	71.5% Texas	15.1% Rhode Island

**The consequences of being among the working poor in our state are substantial, and one example is access to health insurance. Colorado working poor families are much less likely to have health insurance than similar families in other states. Lack of health insurance can have significant long-term effects both on adults' ability to work and children's ability to learn.**

- More than 25,000 working poor families in Colorado have at least one parent without health insurance. That's 60% of such families, making us fourth-worst in the

nation on this measure.

- The growing extent of this problem is clearly shown by the fact that since our 2004 report, the number of Colorado working poor families in this category has more than doubled – 25,399 compared to 12,271.

Broadening our view to include low-income working families helps to show the real magnitude of this problem, however. Fully half (70,541) of all such families have at least one parent without health insurance – ranking Colorado fourth-worst in the nation.

### Working families in poverty spending more than one-third of income on housing<sup>31</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
39,705	83.4%	13th worst	79.9%	91.6% Nevada	57.3% South Dakota

**The basic needs for all human beings include food, clothing and shelter. Working poor families often find themselves having to make difficult decisions about how to provide for these needs. That is true when it comes to meeting the cost of housing.**

- 83% of working poor families in Colorado spend more than one-third of their income on housing, making the state 13th worst in the country on this measure.
- Even in the best-ranked state on this measure

(South Dakota), 57% of working poor families spend more than one-third of their incomes on housing.

- Although Colorado's relative rank on this measure has improved since our 2004 report, the number and percentage of families caught in this category have both increased. The improved ranking is, therefore, probably associated with the more difficult housing markets that have developed in other states, rather than with any specific improvements in Colorado.





### Pathways to family-sustaining employment

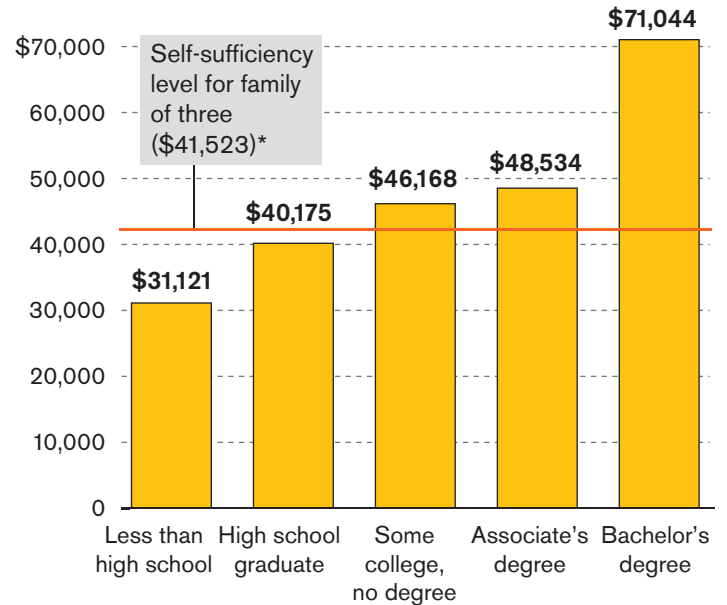
The evidence is clear that one of the key pathways out of poverty and toward self-sufficiency is through education and skills development for adults. As the accompanying chart indicates, annual earnings rise in direct relation to educational attainment – that is, on average, the higher your level of education, the higher your income. And as the chart also shows, some level of post-secondary education is now the minimum threshold necessary for adults to earn family-sustaining wages.

The data examined for this report reveal three key areas where roadblocks exist along the education pathway for Colorado’s poor and low-income working families. First, adult education is reaching only a small portion of the population that needs it. Second, based on race/ethnicity, a troubling gap exists in post-secondary participation and attainment. Third, post-secondary education is becoming less affordable – and therefore less attainable – for many working families.

In this section, we examine these areas of concern through data on three main topics:

1. Adult education, literacy, and skills development

### Average annual earnings of adult workers by educational attainment <sup>32</sup>



\* Self-sufficiency standard for a family with one parent, one preschooler and one school-age child in Denver County, 2008.

Source: <http://www.dola.state.co.us/dlg/demog/selfsuff.html>

2. Post-secondary participation and completion
3. Post-secondary affordability, especially for poor and low-income families

## ADULT EDUCATION: NOT REACHING THE POPULATION THAT NEEDS IT

### Adults 18-64 without high school diploma or GED<sup>33</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
362,605	11.3	25th best	13.4%	18.9% Texas	6.2% North Dakota

**Working-age adults who lack a high school diploma or GED are underprepared for the 21st century workforce. Further, many of these adults may lack even the basic literacy skills vital for success at any job.**

- 362,605 adult Coloradans lack a high school diploma or GED. These individuals represent the pool of eligible students who would benefit from adult education

or literacy opportunities.

- Of these eligible adults, only 4.2% are enrolled in adult education programs, placing Colorado fifth-worst among the states. Put another way, only about one out of every twenty-five eligible Colorado adults is enrolled in the very programs that could help develop the basic literacy and academic skills needed for more productive participation in our workforce. By contrast, Minnesota



# OPPORTUNITY LOST EDUCATION AND SKILLS DEVELOPMENT FOR ADULTS

(the best state on this measure) enrolls 18.5% of their eligible population – that is, one out of every five adults without a high school diploma or GED.<sup>34</sup>

- Colorado allocates \$7.94 of “state resources” to adult education and literacy programs, per eligible adult – sixth-worst among the states. Florida, the best state on this measure, allocates \$204.46 per eligible adult – almost 26 times more than Colorado’s contribution.<sup>35</sup> The

national average of \$65.55 per eligible adult is eight-times higher than Colorado’s allocation.

- Currently, Colorado’s state allocation includes no state-appropriated funds. Instead, the required state match for federal adult education and family literacy funds received comes primarily from gifts, grants and donations from private, nonprofit and community organizations.

## Adults 25-54 with only a high school diploma or GED<sup>36</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
473,165	21.5	2nd best	26.9%	40.1% W. Virginia	20.5% California

**Even for those adults who have earned a high school diploma or GED, additional education or training is often needed to enhance their occupational skills and get a job that offers family-sustaining wages.** Almost one-half of all job openings now require more than a high school education<sup>37</sup>, and projections indicate that by 2018 two-thirds (67 percent) of all Colorado jobs will require some postsecondary training beyond high school.<sup>38</sup>

- Colorado ranks second-best among the states for the percent of adults 25-54 who have only a high school diploma or GED.

- Our high ranking on this measure masks an important point about the educational attainment of adults in our state, however. While we tend to be a highly educated state, adult Coloradans with post-secondary credentials are more likely to have been born elsewhere and moved here than to have been “home-grown.” Colorado ranks sixth-worst for the percentage of residents age 25-64 who were born in-state and who have earned a post-secondary degree.<sup>39</sup>

Workforce development activities and opportunities can also be a critical link to education and skills development for many adults.

## Percent of TANF participants enrolled in education or training<sup>40</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
–	11.7	8th best	6.5%	23% Wisconsin	0% Indiana, Maine

**Temporary Assistance to Needy Families (TANF) is intended to help low-income parents – mostly women – get off public assistance and into the workplace.** Many of these individuals have low levels of education and limited work experience.

- Colorado ranks above the national average (8th

best) on this measure.

- Despite this ranking, only about 12% of Colorado TANF participants are enrolled in education or training. Given the importance of developing job skills for this particular population, this percentage remains very low.



# OPPORTUNITY LOST EDUCATION AND SKILLS DEVELOPMENT FOR ADULTS

## Percent of eligible WIA participants receiving training services<sup>41</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
–	54.5%	15th best	29.4%	93.2% Delaware	0% Montana

**Workforce Investment Act (WIA) programs help low-income youths and adults improve their job-related skills and find employment. Especially** important in this arena are literacy and academic skills, as well as occupational skills.

- Again, Colorado ranks above the national average on this measure. Since our 2004 report, Colorado has moved from 20th worst to 15th best in the country.
- In 2006, about 55% of eligible participants received training services, compared to 45% in our 2004 report.

• Even using the expanded definition of training used in calculating 2008 program results, Colorado provided training services to only 66 percent of participants, ranking us 21st best.<sup>42</sup>

While we made progress on this measure, we need to do more. Given the needs of the 21st century workforce, and the crucial role that skills development and training play in helping working poor adults qualify for jobs that pay a family-sustaining wage, this percentage should be higher.

## POST-SECONDARY EDUCATION: A TROUBLING RACE/ETHNICITY GAP

### Adults 18-24 enrolled in post-secondary institutions<sup>43</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
184,170	39.2	25th worst	40.9%	55.3% Rhode Island	27.4% Alaska

### Minority adults 18-24 enrolled in post-secondary institutions<sup>44</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
42,780	28%	8th worst	34.9%	53.2% New Hampshire	17% South Dakota

**When looking at all young adults 18-24, Colorado remained at about 39% in terms of its population's participation in post-secondary education. However,** in terms of minority young adult enrollments, a different story emerges. Here, Colorado is eighth-worst (28%) – and has dropped significantly from 19th worst in our 2004 report.

Because of the close correlation between race/ethnicity and income, this gap also clearly has implications for poor and low-income Coloradans.

With adults in the prime of their working lives, a similar racial/ethnic disparity in post-secondary participation exists.



# OPPORTUNITY LOST EDUCATION AND SKILLS DEVELOPMENT FOR ADULTS

## Adults 25-54 enrolled in post-secondary institutions<sup>45</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
149,540	6.8	13th best	6.5%	9.1% Utah	4.9% New Hampshire

**On this general measure of adult 25-54 participation in post-secondary education, Colorado remained at 13th best (6.8%) compared to our 2004 report.**

- Looking only at the participation rate for minority adults 25-54, however, Colorado ranks seventh-worst (6.2%) among the states.

- Unfortunately, this disparity extends beyond post-secondary participation to degree attainment. Colorado has the largest gap of any state between whites and the next largest race/ethnic group (for our state, Latinos) in terms of the percent of adults 25-54 with an associate's degree or higher.<sup>46</sup>

## POST-SECONDARY AFFORDABILITY: AN INCREASING BURDEN

**For poorest families, percent of family income needed to pay for ...<sup>47</sup>**

- ... community college
- ... public four-year college
- ... private four-year college

Colorado		U.S.		
%	Rank	Average	High state	Low state
50%	24th worst	50%	83% N.H.	26% Arizona
69%	17th worst	56%	87% Penn.	0% Tenn.
226%	7th worst	168%	293% N.M.	58% Idaho

**Working adults and families must weigh their decisions about pursuing post-secondary education against their own financial realities and escalating college costs.** Financial-aid support can help in this regard. However, even after financial-aid awards are factored in, costs can present a real barrier to participation when viewed as a percentage of the family's annual income. For Colorado's poorest families – that is, those in the lowest 20% of annual income (median family income of \$12,153):

- The net cost (tuition plus room and board, minus financial aid) of attending a community college has risen from 42% of family income in our 2004 report to 50% today, placing Colorado at the national average on this

measure.

- The net cost of attending a four-year public college has risen from 44% of family income (13th best) to 69% (17th worst).

- The net cost of attending a four-year private college has gone from 144% of family income (15th best) to 226% (seventh-worst).

Clearly, for Colorado's poorest working families, already struggling to make ends meet, the “math doesn't work” in terms of seeing college as an affordable option. The picture is only somewhat better for families in the lowest 40% of annual income – that is, those striving to reach or stay in the middle class (median family income



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# EDUCATION AND SKILLS DEVELOPMENT FOR ADULTS

of \$21,533).<sup>48</sup> For these families:

- The net cost of attending a community college represents 33% of family income (tied for 20th best with several states).

- The net cost for a four-year public college is 43% of family income (tied for 19th worst with several states).

**Over the past several years, Colorado has relied more and more on tuition increases to make up for diminishing state financial support for higher education.**

- Colorado ranks fifth-worst in the country for the percentage of total higher education operating revenues that come from tuition versus from state funding. Colorado families now provide about 58% of such operating revenues by way of tuition – almost \$3 out of every \$5 available to higher education.<sup>49</sup>

- The story regarding funding per-student in Colorado is much the same, where we rank third-worst in the nation.<sup>50</sup> (See story and chart on Page 16.)

In this context, and in response to the potential loss of a significant portion of state General Fund

appropriations for higher education in FY 2011-12, Colorado made a significant change in the process by which post-secondary education will be funded for the near-term future. Senate Bill 10-003 gave governing boards of public colleges and universities greater operational and – for a limited, five-fiscal-year time period – tuition-setting authority. The bill also provided important protections to ensure access and affordability for low- and middle-income students. Specifically, governing boards were allowed to raise tuition for Colorado undergraduate students up to 9 percent on their own authority. For tuition increases greater than 9 percent, they were required to develop "Financial Accountability Plans" to protect access and affordability for low- and middle-income students, including reducing student debt load, and have the plans approved by the Colorado Commission on Higher Education.<sup>51</sup> To date, nine such plans have been approved.

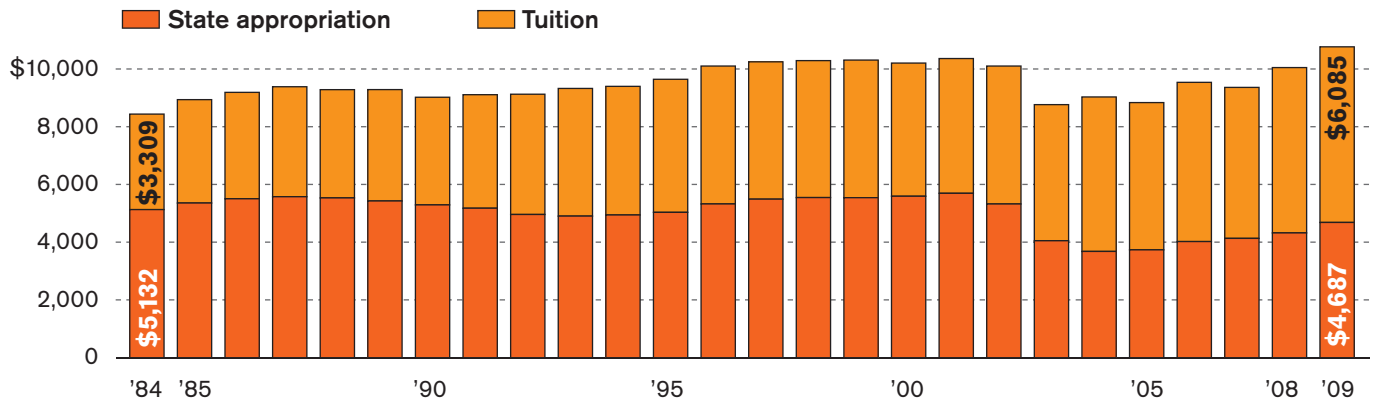
The success of this "tuition flexibility" policy approach will hinge, however, on the ability to expand both institutional and state-funded need-based financial aid to offset tuition increases. At present, the state does not have the funds available to support such an expansion.





# OPPORTUNITY LOST EDUCATION AND SKILLS DEVELOPMENT FOR ADULTS

**State appropriations vs. tuition per full-time equivalent student** (*public institutions*)<sup>52</sup>



**Note:** Constant 2009 dollars adjusted using SHEEO Higher Education Cost Adjustment; 2009 educational appropriations include ARRA funds.

**Sources:** SHEEO SHEF

On a per-student basis, there has been a dramatic shift over the last 25 years in the mix of funding from state-local appropriations versus that paid by students and families.

In 1984, 40 percent of per-student funding in Colorado came from tuition and 60 percent came from the state. Twenty-five years later, in 2009, the percentages had almost reversed, with 56 percent coming from tuition and 44 percent coming from state appropriations.

Without increases in financial aid to offset tuition hikes, the burden on poor and low- and middle-income working families has continued to grow.

• *Measuring Up 2008*, a “national report card” on higher education, notes that Colorado’s investment in

need-based financial aid ranked as 20th best – but is very low when compared with top-performing states. Our state investment measured as a percentage of federal Pell Grant aid is 41 percent, compared to the national average of 46 percent. Investment by the top-ranked state (Washington) is 108 percent.<sup>53</sup>

• The non-partisan staff of Colorado’s Joint Budget Committee points out that the “buying power” of state financial aid appropriations relative to tuition revenues declined substantially during Colorado’s last recession (2001-2003) and is lower now than a decade ago.<sup>54</sup>

As a result of all these trends, one of the key pathways for Colorado’s working families to achieve the American Dream is becoming increasingly difficult to afford.



## OPPORTUNITY LOST

# EMPLOYMENT OPPORTUNITIES, WORKPLACE BENEFITS

### *Good jobs with benefits are harder to find*

Even if working poor adults navigate the education pathway and acquire the skills and training needed to better their families' circumstances, the employment opportunities and workplace benefits available to them are critical factors in helping them achieve self-sufficiency.

Colorado's current unemployment rate of 8.6 percent, while better than the national average and rates found in other states, is the highest it has been since reaching 8.7 percent in February 1983. It is the

third highest since state unemployment data was first tracked by the Bureau of Labor Statistics in 1976 and near Colorado's all-time high of 8.8 percent recorded in January 1983.<sup>55</sup> In addition, more adult workers hold low-wage jobs, can find only part-time work, work multiple jobs and go without health insurance and employer-provided pensions than we found in our 2004 report.

This section describes the number of workers in low-wage jobs, Colorado's unemployment rate, workers who can find only part-time jobs and workers who work multiple jobs. It also details the number of workers without health insurance and employer provided pensions.

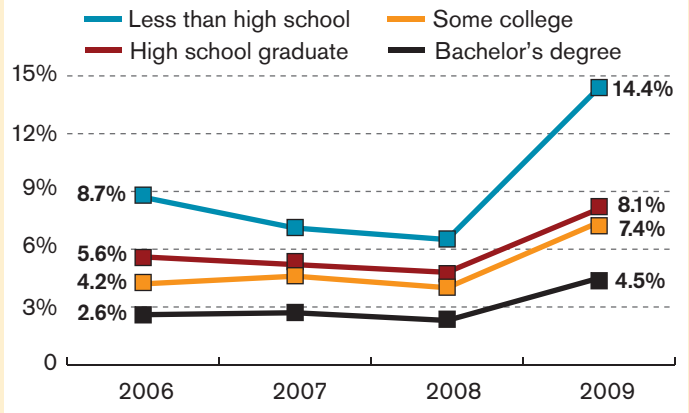
### The higher the education, the lower the unemployment rate

Even during the worst downturn since the Great Depression, better-educated workers were more likely to be employed.

The relationship between education levels and unemployment has remained fairly consistent for the past four decades, although, the gap between the unemployment rates for workers with less than a high school education and those with a bachelors degree have widened since the mid-1970s, reflecting the increased importance of education in the workforce.<sup>56</sup>

In 2007, before the recession hit, Colorado had an overall 4.2 percent unemployment rate. Colorado workers with less than a high school diploma had a 7.1 percent unemployment rate, while the rate for those with a high school diploma was 5.2 percent. In 2009, when the average unemployment rate was 6.9 percent, the gap between high school grads and those without a high school diploma widened to 6 percentage points, 8.1 percent compared to 14.4 percent.<sup>57</sup> Because almost half of Colorado's working poor families have a parent

**Education and unemployment rate**



without a high school diploma or GED, helping more of these parents get a high school diploma or its equivalent, should lead to lower unemployment rates and higher earnings. This is why it is important that Colorado invest in adult basic education and other efforts to help workers obtain educational degrees.

## EMPLOYMENT OPPORTUNITIES: A MIXED BAG

### Unemployment rate (November 2010)<sup>58</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
229,900	8.6%	25th worst	9.8%	14.3% Nevada	3.8% North Dakota

As we reported earlier, in terms of unemployment, Colorado has fared a bit better than the nation as a

whole in the latest recession. Since the start of the recession in December 2007, the national unemployment



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## OPPORTUNITY STILL BEING LOST

# EMPLOYMENT OPPORTUNITIES, WORKPLACE BENEFITS

rate rose by 4.8 percentage points, while Colorado's rate rose 4.3 percentage points over the same period.<sup>59</sup>

Seventeen states including Colorado reported increases in their unemployment rates in the past 12 months.

Twenty-eight states and the District of Columbia reported decreases and five states had no change.<sup>60</sup>

- Colorado's November 2010 unemployment rate is 8.6 percent, compared to a national average of 9.8 percent. This is the highest it has been since February 1983.

- Based on this figure, our state's ranking is 25th

worst in the country, compared to 18th worst in our 2004 report.

- Colorado's improved ranking is at least in part the result of the severe jobless rates being experienced in other states (e.g., 14.3 percent in Nevada) rather than major progress in our own conditions.<sup>61</sup>

- The job market struggled over the past year or so, going from 8.3 percent unemployment in June 2009, dropping to a recession low of 7.3 percent in December 2009 before rising to 8.6 percent in November 2010.<sup>62</sup>

### Workers in low-wage jobs<sup>63</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
461,171	22.4	20th best	24.1%	35.7% Hawaii	17.3% Maryland

**Along with a lower rate of unemployment, Colorado workers are also less likely than those in other states to work in low-wage jobs.**

- Slightly more than 1 in 5 (22.4%) of Colorado's workers are in low-wage jobs compared to a national average of about 1 in 4 (24.1%).

- 461,171 workers – nearly half-a-million Coloradans – hold low-wage jobs. That's over 100,000 more than

noted in our 2004 report.

- Colorado's 20th-place ranking on this measure has worsened from our 2004 ranking of 9th best. The portion of Colorado workers in low-wage jobs has increased by about 14% since that time.

The employment reality for many workers in our state is that they work for low wages or must work several jobs to make ends meet.

### Adults who hold part-time jobs for economic reasons<sup>64</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
147,189	5.6%	22nd worst	5.8%	8.3% California	2.5% Louisiana

**Adults who hold part-time jobs for economic reasons are sometimes referred to as involuntary part-time workers.**

- More than 147,000 adults (almost 6%) hold part-time jobs for economic reasons, placing Colorado 22nd worst in the nation on this measure.

- The number of adult Coloradans holding part-time

jobs has increased an astounding 124% since our 2004 report (an additional 81,690 adults).

- The increased number of involuntary part-time workers, coupled with the 8.6 percent unemployed, results in Colorado's highest ever underemployment rate of 14.8 percent, reached during the third quarter of 2010.<sup>65</sup>



# OPPORTUNITY STILL BEING LOST EMPLOYMENT OPPORTUNITIES, WORKPLACE BENEFITS

## Workers who hold more than one job<sup>66</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
152,107	6.1%	18th worst	5.2%	10.4% South Carolina	3.7% Nevada

**Slightly more than 6% of Colorado workers hold more than one job, ranking our state 18th worst in the nation.**

- The number of Coloradans holding more than one job (152,107) is 27,032 higher than in our 2004 report – a 22% increase.

- The recession likely has driven these numbers higher. Many families depend on dual earners and with the high unemployment rate, those that can land another job will do so. Plus the difficulty of finding full-time work has driven many workers to hold down several part-time jobs.

## WORKPLACE BENEFITS: KEY EMPLOYEE SUPPORTS LACKING

The benefits of employment go beyond wages earned and their effect on family self-sufficiency.

Unfortunately, Colorado compares poorly with other

states regarding two key workplace benefits that can make the difference for working families trying to get ahead and stay ahead – health insurance and employer-provided pensions.

## Workers 18-64 without health insurance<sup>67</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
482,046	18%	24th worst	19%	31% New Mexico	7% Mass.

**Almost half-a-million Colorado workers – about 1 out of every 5 (18%) – lack health insurance.**

- The number of uninsured workers rose by more

than 57,932 since our 2004 report – a 13% increase.

- Although not far off of the national average (19%), Colorado ranks 24th worst in the country on this measure compared to 17th worst in 2004.

## Workers without employer-provided pensions<sup>68</sup>

Colorado			U.S.		
Number	%	Rank	Average	High state	Low state
1,651,614	60	16th worst	59%	68% Florida	51% Iowa

**Nearly 1.7 million Colorado workers (60%) do not have employer-provided pensions. This total includes both traditional defined-benefit pensions as well as defined-contribution or 401(k)-type plans.**

- The number of Colorado workers without employer-

provided pensions rose by more than 273,961 since our 2004 report – a 20% increase.

- Colorado is 16th worst in the country on this measure.



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# OPPORTUNITY LOST CONCLUSIONS

**The message from the data reviewed in this report is clear – six years after our initial report on the topic, Colorado’s poor and low-income working families are still struggling to get by, and in many ways the conditions they face have gotten worse.**

The current recession has certainly affected the overall economic fabric of the state, and that has added to the pressures these families were already experiencing. But while the recession has exacerbated these pressures, it did not cause them. Even before the effects of the recession were being fully felt, conditions experienced by poor and low-income working families in Colorado were already on a downward trend.

And so, what should the state do to turn around this trajectory? In making policy recommendations, we are, quite honestly, faced with a dilemma. Many of the problems illuminated by the data reviewed in this report point strongly to the need for increased funding for many programs that help working families gain access to, and advance along, the path to self-sufficiency. Yet the state has no additional resources to devote to this important goal. Once again, even before the current recession hit, the Bell’s research showed that Colorado’s lack of revenues – coupled with the state’s constitutional and statutory constraints – meant that we would not be able to maintain our current levels of state services, let alone expand them.<sup>69</sup>

This is not a matter of the state having the wrong priorities, nor is it a temporary shortfall that will go away when the economy improves. This is a structural shortfall that existed before the recession hit and will continue after a recovery.

**As a result, our overarching recommendation is that *Colorado’s citizens need to increase state revenues and apply them to those public systems and services that expand opportunities for our state’s working families.***

In this regard, we echo the recent report of the Governor’s Higher Education Strategic Planning Steering Committee, which noted “the urgency of the state fiscal crisis” and called for immediate action to increase our investment in Colorado’s higher education system.<sup>70</sup>

But while long-term, comprehensive fiscal changes will be needed to address the structural issues facing our state, in the meantime there are some things we can do to better support Colorado’s working families.

We urge Gov.-elect John Hickenlooper and the

legislature to act in the upcoming session on the following recommendations to expand opportunities.

Because our research efforts and advocacy have been primarily related to (1) education and skills development and (2) employment opportunities and workplace benefits, our recommendations will focus on these two areas.

## Policy recommendations

### Education and skills development

**Recommendation No. 1: Reach more of the eligible adult population in need of a basic educational foundation.**

As we have seen, education and skills development represent a key pathway toward self-sufficiency for working families. In our knowledge-based economy, almost half of new job openings require more than a high school education, and projections indicate that by 2018, two-thirds of all Colorado jobs will require some post-secondary training. Yet, in Colorado, nearly half of poor working families include a parent without a GED or high school diploma. At the same time, only about 4 percent of the nearly 363,000 adult Coloradans who lack these credentials are enrolled in adult education classes, and Colorado ranks sixth-worst in its funding per-eligible adult for such programs.

**There are some critical actions Colorado must take in implementing this recommendation:**

- ▶ **Make a meaningful commitment to funding adult-education programs and ensure that they reach more of the eligible population.** In our 2004 report and in subsequent publications, we recommended that Colorado’s legislature appropriate at least \$1 million as part of the match for federal adult education and family literacy funding. We still think this is a worthy goal, even though funds are not currently available.
- ▶ **Continue the state’s efforts to close the achievement gap in P-12 education and develop an integrated P-20 educational system.** In many ways, our adult-education needs and our post-secondary attainment gap are outgrowths of the achievement gap that exists for minority and low-income students even in the earliest grades of elementary education. Despite the difficult fiscal circumstances facing our state, Colorado did include \$1.8 million in its FY 2010-11 budget to support its Closing the Achievement Gap initiative.<sup>71</sup> We applaud the state legislature for





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## OPPORTUNITY STILL BEING LOST

# CONCLUSIONS

maintaining its commitment to this program, and urge its continued – and if possible, expanded – support in future budget years.

- ▶ **Continue to emphasize developing quality preschool and full-day kindergarten programs, as well as initiatives at all levels to address the in-school and out-of-school conditions that perpetuate the achievement gap.** An often overlooked component of this attention to early childhood education is family literacy programs, which have a track record of helping both students and their parents develop the critical basic literacy skills needed for school and workplace success. Colorado needs to find a way to better support these programs – not currently funded by any state dollars – by leveraging money from other sources.

### **Recommendation No. 2: “Connect the dots” among the various segments/levels of our education and workforce systems.**

Beyond the need for a basic educational foundation, we have also seen throughout this report that, increasingly, some level of post-secondary education is the minimum threshold to earnings that are family-sustaining. Yet a substantial gap exists in Colorado for post-secondary participation and completion based on race/ethnicity – with significant implications for working families. For example, Colorado ranks near the middle of states in terms of college participation by all adults age 18-24, and is 13th best for all adults age 25-54 enrolled in post-secondary institutions. However, we are eighth-worst and seventh-worst, respectively, on these same measures when looking specifically at minority enrollments.

**A number of policy actions and approaches are needed to implement this recommendation:**

- ▶ **Clarify and strengthen the curricular and policy linkages among programs that help adults acquire needed workforce skills, establish fundamental educational competencies and earn post-secondary certificates and degrees.** Especially critical in this regard is exploring ways to better facilitate student transitions from one educational level to the next through innovative approaches to course content and delivery in adult basic education, remedial-developmental education and post-secondary education. As the data show, this is particularly important for poor and low-income minority adult students.
- ▶ **Develop a comprehensive, integrated education data system that tracks student**

**information at all levels and in all programs in order to more clearly identify obstacles to, and opportunities for, increased student success.**

To be truly effective, this data system also needs to incorporate statewide workforce data, allowing for the continued longitudinal tracking of these students to determine information on the connections between degree and credential completion, job placement and earnings. Such a system would allow policymakers to see what effects additional education and workforce training have on workers’ wages, benefits and employment.

The good news on this front is that Colorado has been awarded \$17.4 million through the federal Statewide Longitudinal Data Systems Grant Program, as part of the American Recovery and Reinvestment Act (ARRA). The grant is intended to support the creation of a new statewide system to track student and educator data from preschool to post-secondary education and into the workforce.<sup>72</sup> We believe that such a system, when completed, will help Colorado achieve the goals contained in this recommendation. However, we urge those responsible for system design, development and implementation to ensure that information for all students, at every level and in every educational pathway, is included in the database – especially non-traditional, part-time and adult students, as well as those enrolled in workforce development-related programs.

- ▶ **Better align education, workforce training, economic development and business recruitment efforts so that workers are more likely to receive training and job skills needed by employers.** Here, “connecting the dots” includes placing an increased emphasis on training and skills development in workforce-related programs such as TANF and WIA. Colorado does a better-than-average job in this area, but given the importance of education and training to qualifying for employment opportunities with family-sustaining wages, we should do more. For example, Colorado ranks eighth-best in percent of TANF participants enrolled in education or training, but with only 11.7 percent participating. And for WIA, even using the expanded definition used in calculating the percent of participants receiving training services in the most recent available data, our state ranks only 21st-best, with 66 percent receiving such services.

Significant opportunities to expand this training emphasis now exist via the pending reauthorization of the federal Workforce Investment Act, and



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through the remaining federal stimulus money provided to the state under the American Recovery and Reinvestment Act. We should use these funds to offer more training services to low-income workers and to better leverage the capacity and resources of the state's education and workforce systems.<sup>73</sup> As an excellent example of how such opportunities can be created in connection to Colorado's New Energy Economy, the state received a \$1 million ARRA-funded Department of Energy grant to expand and improve weatherization job training in the state. The grant will be used to establish certificate programs at Red Rocks Community College and Pueblo Community College in various aspects of weatherization. The program will ultimately serve to "cultivate local trainer experts inside the community college system and build a curriculum beyond the grant timeframe,"<sup>74</sup> thereby strengthening Colorado's education and workforce pathways to clean energy careers.

### **Recommendation No. 3: Ensure that post-secondary education is accessible and affordable for working families.**

The data show that a daunting barrier for students from working families in pursuing and completing post-secondary education is the cost, especially when it is factored against the need to pay for other basic needs, such as food and housing. For example, Colorado working families in the lowest 40 percent of annual income must devote one-third of their family income to attend a community college and almost half of their income for a four-year public college. At the same time, the state's investment in need-based financial aid is well below that of the top-ranked states on this measure.

Along with the above, passage of Senate Bill 10-003 represents a double-edged sword in its promise of higher tuition but also its greater emphasis on access and affordability for low- and middle-income students.<sup>75</sup> We believe that a policy that shifts more and more responsibility to students and families for funding higher education is not a good long-term strategy for expanding opportunity, yet we also recognize that Colorado's unprecedented funding problems require balanced and creative solutions for funding higher education. Given our state's fiscal realities, and the very real threat of program reductions or institutional closures, we reluctantly supported this short-term approach as the lesser of two policy evils. However, we have also continued to stress our concern that increased state-supported, need-based financial aid, along with the increased institutional aid made possible through tuition increases, will be critical if this model is to succeed.<sup>76</sup> As the "Financial Accountability Plan" process

unfolded, we were pleased with the rigor of the review and the commitments to access and affordability shown by the boards, but the outcome of tuition-setting flexibility will to a large extent be contingent on the level of state appropriations for higher education.

### **Several steps are needed to ensure that post-secondary education opportunities remain available for Colorado's working families.**

- ▶ **Find a way for the state to increase its funding for need-based financial aid.** To its credit, even in the midst of this recession and deepening fiscal crisis, Colorado has held steady in its funding commitment to such aid. However, as enrollments skyrocket and costs rise, maintaining current funding levels actually translates into a reduction of available aid to the growing number of students with financial need. With implementation of SB 3 proceeding, we echo the National Center for Public Policy and Higher Education's caution that states cannot and should not rely solely on the expanded institutional aid resulting from tuition increases when trying to make up for lost state revenues.<sup>77</sup> We urge Gov.-elect John Hickenlooper, the legislature and the people of Colorado to identify an appropriate, sustainable and secure source of funding for increased state need-based financial aid.
- ▶ **Higher education governing boards must explore innovative options for increasing the institution-based financial aid available to students, both through their Financial Accountability Plans and other institutional initiatives.** Over the past several years, institution-based financial aid has become an increasingly important part of the college affordability equation for many students and families. Given the increasing recognition of the critical connection between post-secondary education, workforce development and economic competitiveness, it is time to explore innovative approaches to funding institutional aid – such as increasing the business community's involvement in supporting student academic success.

An example of one such innovative institutional-aid plan is the "Commitment to Colorado" to be offered by Colorado State University beginning in the fall of 2011. Under the plan, state resident students pursuing their first bachelor's degree whose families make \$57,000 or less will pay only half the standard tuition rate. Lower-income students who are eligible for federal Pell Grants will not pay any tuition or fees. Funding for the program will be provided through a combination of tuition increases, savings



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from operational cuts and increased efficiencies, as well as private contributions to CSU's Campaign for Colorado State. The university's long-term goal is to fund the program completely from these donations.<sup>78</sup>

We applaud CSU for its plan to ensure access and affordability for low- and middle-income students. At the same time, though, we must point out that the plan's focus on students enrolled full-time will restrict its usefulness for many adult and minority/low-income students who, for a variety of reasons, enroll on a part-time basis. As CSU and other state institutions move forward in their own innovative thinking, we urge them to be as inclusive as possible of adult, part-time and other non-traditional students.

Another innovative policy specifically addressing the needs of working adults was included in a bill passed during this year's legislative session. Senate Bill 10-202 clarifies that adults may open, for themselves, college savings accounts through CollegeInvest (Colorado's college savings plan authority) in pursuit of post-secondary education or updated workforce skills. It also allows employers to make matching contributions to employees' accounts.<sup>79</sup> We strongly supported this bill and are pleased with its passage.<sup>80</sup> At a time when many adults are seeking job-retraining opportunities, and many employers are eager to expand the skills of employees, the bill represents good education policy, good workforce development policy and good economic development policy. As a caveat to our support, however, we continue to stress that college savings accounts are not a substitute for strong state and institutional need-based financial aid programs available to all students, including adults. Rather, they are another important tool in the broader tool kit needed to expand post-secondary educational opportunity in Colorado.

- ▶ **Continue to support concurrent-enrollment programs that help students from poor and low-income working families simultaneously complete their high school diplomas and earn college credits or credentials.** Research shows that concurrent-enrollment programs encourage more students – including low-income, minority and at-risk students – to stick with and finish their high school diplomas while earning college credits, certificates and/or associate's degrees. The state took a strong step forward in 2009 by passing legislation to develop a statewide system for these programs.<sup>81</sup> It should continue to encourage school districts to make these opportunities available to students throughout the state – and fund these programs at

current or increased levels.

### **Employment opportunities and workplace benefits**

During difficult economic times, unemployment insurance benefits are a critical safety-net benefit. They help all unemployed workers, but in particular they help low-wage workers put food on the table, pay the rent and make ends meet. They are also one of the best means of stimulating the economy, as money is spent on goods and services in local communities.

Our recommendations in this section include policies to improve unemployment insurance and increase access to other workplace benefits for low-wage workers. These benefits help workers move up the economic ladder and build assets. In addition, we recommend reviewing policies designed to promote economic development and create jobs so we know they are performing as intended.

**Recommendation No. 4: Evaluate whether providing enhanced unemployment benefits for training is effective in helping low-wage workers obtain and retain jobs that pay self-sufficient wages. We should extend the program if it is found to be effective.**

Qualifying for unemployment benefits can sometimes be difficult for low-wage workers because they often do not have enough earnings in the timeframe set out in law. Many times, they would qualify if they could count their more recent wages. One of the recommendations in our 2004 report was to adopt an "alternative base period" allowing workers to count wages earned in the most recently completed quarter when qualifying for unemployment benefits. We are pleased to report that the legislature adopted and the governor signed SB 09-247, allowing the use of an alternative base. In addition, under this bill, workers who leave a job due to illness or disability of themselves or because of domestic violence and those who follow a spouse who moves to a new work location where commuting is impractical can also qualify for unemployment insurance benefits. These changes help more low-wage workers receive unemployment benefits.

This law also provided enhanced unemployment benefits to workers participating in approved training programs, preparing them for work in high-demand occupations or the renewable energy sector. An additional \$15 million was set aside to fund this training for three years beginning July 2009 and ending June 2012. The Colorado Department of Labor and Employment is directed to report annually on the





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effectiveness of these training benefits, including a demographic analysis of the participants and their pre-training and post-training wages. Improving the skill levels of low-wage workers and preparing them for work in high-demand and well-paying occupations is one strategy to moving more of them ahead economically.

### **Recommendation No. 5: Making the state's EITC a permanent tax credit and increasing its value to 20 percent of the federal EITC should be a focus of any plans to revise and restructure Colorado's revenue system.**

The federal Earned Income Tax Credit is one of the most effective anti-poverty programs ever, lifting millions workers and their children above the poverty line each year. This tax credit allows low-income workers to retain more of what they earn and adds the equivalent of about \$2 per hour to the pay of minimum-wage workers.

Colorado supplements the federal EITC by adding a state EITC set at 10 percent of the federal amount. However, the state EITC is paid only when there is a TABOR surplus – which we haven't had since 2001 and are not projected to have through at least 2012.

Currently, we are not generating enough revenue to adequately fund the various state programs and services. However, there are a number of groups considering strategies to reform our revenue system and raise revenues. Fully funding a state EITC each year so that low-income workers and their families move closer to earning self-sufficient wages needs to be a central part of these deliberations and an important part of any plan to raise revenues. We recommended making the state EITC a permanent tax credit and increasing its value to 20 percent of the federal EITC in our 2004 report as well. This represents important unfinished business for Colorado.

### **Recommendation No. 6: Colorado should partner with private employers and other vendors to establish Colorado Voluntary Pension Accounts.**

Nearly 1.7 million Coloradans, or 60 percent of our workers, do not have employer-provided pensions – neither defined-contribution plans such as 401(k)s nor the more traditional defined-benefit plans. The number of workers facing this dilemma has grown by 20 percent, or 274,000 workers, since our 2004 report. Research shows that those without access to workplace retirement plans tend to be low-wage workers and those that work in small businesses. Surveys of small businesses show that the cost and complexity of providing retirement plans is a major reason many do

not offer them. As our population ages, building retirement savings to supplement Social Security benefits will be critical to ensuring workers have a financially secure retirement.

State government, working with private employers, can reduce the costs and complexity of providing retirement plans by helping to create a basic infrastructure that can be used by small employers. Employers would have the option of matching workers' contributions.

These accounts would make it cheaper and easier for small employers to offer pension plans. They also would be portable, allowing workers to contribute to the same account from each job they hold in Colorado. These accounts would allow more workers, particularly low-wage workers, to save money for retirement.

### **Recommendation No. 7: Colorado should continue to monitor the investments made in enterprise zones, analyze the effects of the tax credits in encouraging these investments and restructure or eliminate the credits altogether if it cannot be shown that they are a cost-effective way to increase investment and create jobs.**

Colorado, like most states, offers tax credits and other incentives to attract businesses to relocate to the state or within economically distressed communities. However, we offer fewer of these incentives than most states. Colorado's Urban and Rural Enterprise Zone Act is the largest source of economic development tax credits at the state level. Enacted in 1986, it provides sales and income tax credits for employers to locate and expand in economically distressed areas. In 2009, we conducted a detailed analysis of research studies that showed that enterprise zone tax credits result in minimal new investments and new jobs. We concluded that many of the investments that qualify for the credits would likely have happened without the incentives.<sup>82</sup>

During the 2010 legislative session, two bills were passed to (1) limit the amount of the enterprise zone investment tax credit for three years, (2) require individuals to certify that the tax credits played a substantial role in their decision to locate or invest in an enterprise zone and (3) require more detailed reporting on enterprise zone investments.<sup>83</sup>

Using this additional data, the state auditor should evaluate the effectiveness of the enterprise zone tax credits in promoting new jobs and investments in distressed areas. If they are shown to be ineffective based on this assessment, we should either revise or eliminate them altogether.



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# END NOTES

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# END NOTES

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