COLORADO CHILDREN'S CAMPAIGN

LEAVING CHILDREN BEHIND:
HOW COLORADO'S FISCAL POLICIES HURT OUR MOST VULNERABLE CITIZENS

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Prepared for the Colorado Children's Campaign
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EXECUTIVE SUMMARY

Child poverty increased at an astonishing rate from 2000 to 2007 in Colorado. Although Colorado holds an unimpressive middle rank (22) nationally in the percentage of children in poverty, the KidsCount Data Center reports that the number of poor children in our state grew from 104,000 in 2000 to 192,000 poor children in 2007, an increase of 85 percent and the highest increase in the country. Only seven other states saw an increase in their child poverty rates during this period.[1]

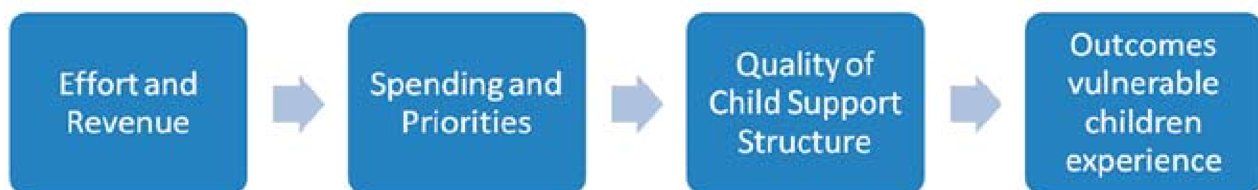
This stunning increase prompted the Colorado Children's Campaign to ask whether the state is prepared to meet the needs of Colorado's poor children and their families. State expenditures in areas such as safety-net programs, child care assistance, and work-based support can help ameliorate poverty and increase child and family well-being. A recent Children's Campaign report, *Moving the Needle* showed how other states are reducing child poverty through these state policies. These policies cost money in the short term, but they save money in the long term by reducing costs associated with poverty, such as increased rates of high school dropouts and increased criminal justice and health care costs.

Moving the Needle showed that there is much that Colorado can do through state-level action to address the unprecedented rise in child poverty, at least in theory. However, the question remains of Colorado's capacity to undertake these efforts. At the request of the Children's Campaign, the Center for Education Policy Analysis (CEPA) at the School of Public Affairs, University of Colorado Denver explored the relationship between state fiscal policies, state revenue collection, and state spending on policies shown to reduce the effects of child and family poverty.

State fiscal policies address how the state collects and spends money. These include constitutional and statutory restrictions on revenue collection and expenditures (referred to as tax and expenditure limitations, or TELs). All other things being equal, states with more restrictions on revenue collection will collect less money, that being the intent of the restriction. Since almost all states are subject to some kind of rule requiring a balanced budget, states with stringent TELs cannot invest as much as other states in areas such as safety-net programs for children and families.

Extensive research shows that lower spending levels in these areas affect child well-being, particularly for children in poverty. *Policy Matters* 2008, a comprehensive policy audit from the Center for the Study of Social Policy, identifies the most common policy measures that play a role in poverty and family stability. These include policies affecting income and asset growth; employment; health; education; family relationships; and public benefits and support.[2]

We believe that the relationship between state fiscal policies, state investment in children and families, and outcomes for children can be expressed in the following model:



This model presents a quandary for Colorado. Colorado's fiscal policy landscape is dominated by the Taxpayer Bill of Rights, or TABOR. Passed in 1992 as an amendment to the Colorado Constitution, TABOR is widely acknowledged to be one of the most restrictive tax and expenditure limitations in the United States. TABOR limits the amount of revenue that the state can collect to the previous year's collection, with adjustments for inflation and population growth. Amounts collected above the TABOR revenue limit are to be refunded to taxpayers.

As intended by its framer, TABOR has greatly restricted Colorado's revenue collection as compared to other states. This has in turn affected Colorado's ability to invest in policies proven to affect child well-being, to the point where Colorado no longer has the option to consider providing meaningful increases in assistance to children and families in poverty, even as child poverty rates in our state increase dramatically. While other states are able to take steps to decrease child poverty rates and avoid the tragic outcomes associated with child poverty, Colorado's fiscal policies have largely left poor children on their own.

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[1]The Annie E. Casey Foundation. Kids Count Data Center. The number of children in poverty is based on children at 100 percent of the Federal Poverty Level. Available at http://www.kidscount.org/datacenter/

[2]Center for the Study of Social Policy. (2008). "Policy Matters 2008 Data Update: Twenty State Policies to Enhance States' Prosperity and Create Bright Futures for America's Children, Families and Communities." Was WwWashingtonAvailable at http://www.cssp.org/policymatters/fullreport.html.

Introduction

State policy matters to children. Researchers from the Annie E. Casey Foundation, which publishes KidsCount, an annual compilation of indicators related to child well-being, have found that a handful of measures can explain 90 percent of differences in child well-being across states. Demographics and economic variables play important roles, but so do state policies on food stamps, eligibility for Temporary Assistance to Needy Families, and children's health coverage, among others, even after controlling for the demographic and economic variables.[3]

In this report, we take a step back to examine the fiscal policy factors that may affect the state policy variables. State policies, after all, result from two circumstances: first, the fiscal capacity of the state to affect a given situation; and second, the willingness of the state to choose to act on the situation. Both of these circumstances are necessary to enact effective state policies.

A state may have the funding to put a particular policy or program in place, for example, but may decide to prioritize other programs instead. On the other hand, a state may want to put a particular policy in place, but simply not have the funds to do so. This is what we mean by fiscal capacity. Does the state have sufficient discretionary funding, from the general fund or some other reliable source, to meaningfully implement the policy without harming its ability to implement other key policies?

This report does not look at whether Colorado has the political will to develop public policies that prevent or alleviate child poverty. Instead, we look at whether Colorado's fiscal policies around revenue collection and expenditure have affected its capacity to put such policies in place. The following analysis was conducted based on the budget and fiscal realities of late 2008 and early 2009. This report attempts to accommodate major policy changes. While the state has made technical adjustments to particular programs, overall the recession has made these dynamics considerably more problematic than they were before.

Our conclusion is that Colorado's fiscal policies have severely constrained its collection of revenue and its ability to spend the revenue that it does have, and that this outcome has affected the state's capacity to choose to invest in policies and programs that are proven to help children in poverty. This is extremely problematic given the current economic downturn and the meteoric rise in children in poverty in our state.

In Part I of this report, we review and discuss Colorado's state-level fiscal policies affecting both revenues and expenditures. In Part II, we look at trends in revenue collection in Colorado compared to a national perspective. In Part III, we look at trends in state spending, again compared to a national perspective. In Part IV, we identify through a literature review state-level policies that have been shown to affect child poverty, and describe Colorado's current policy environment.

Finally, in Part V, we compare Colorado to two other Western states, New Mexico and Arizona. Of Colorado's neighboring states, Arizona and New Mexico have shown the smallest increases in child poverty. In Arizona, the number of poor children increased from 2000 to 2007 by a modest 6 percent; child poverty actually decreased by 6 percent in New Mexico from 2000 to 2007. The trend in child poverty in these comparison states is a significant departure from Colorado's 85 percent increase in child poverty during this same period.[4]

With economic forecasts looking more dire every day, the numbers of children in poverty in Colorado are likely to rise. Sadly, even if Colorado has the political will to establish policies designed to support families and children, we may not have the fiscal capacity to make effective investments in these policies.

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[3] O'Hare, William and Marlene Lee. "Factors Affecting State Differences in Child Well-Being." August 2007.
[4] These data are based on 100 percent federal poverty level (FPL).

I. Colorado's Current Fiscal Policies on Taxes and Expenditures

This section identifies and discusses the state's current policies relating to revenue collection and expenditures. Colorado has very stringent tax and expenditure limitations, which constrain its ability to collect and keep revenue when compared to other states. In addition, Colorado's tax structure places the greatest burden on low- and middle-income families, in terms of taxes as a percentage of income.

What Do We Mean By "Fiscal Policy?"

Fiscal policies concern the ways in which a government entity raises, collects, and spends revenue. In general, a state's fiscal policies are expressed through:

- Constitutional or statutory provisions that constrain choices made by elected representatives with respect to revenues/spending levels and mix
- The system for raising revenues, including the mix of various types of taxes and charges, which differ in their degree of responsiveness to changes in the economy and their burden on different categories of taxpayers
- Levels of spending and the priorities that are reflected in allocations among competing priorities

Colorado's Tax and Expenditure Limitations

Over the past three decades, Colorado has imposed on itself a number of constitutional and statutory restrictions that constrain the fiscal choices which can be made by the Governor and the General Assembly. The first such restriction, the Gallagher Amendment, was passed in 1983 as part of a national "tax revolt" trend. The constitutional Gallagher Amendment limits the share of property taxes that can be paid by residential property owners.

The Arveschough-Bird law, passed in 1991 by state legislators, mandated an allocation formula. It limited growth in state General Fund spending to no more than six percent annually, and provided that revenues beyond that limit must be spent on transportation and other capital projects.[5] The law also had a downward "ratchet" effect; by which reduced spending during economic downturns also reduced the base used for determining the following year's spending limit, thereby making the reductions permanent. State legislators significantly revised Arveschough-Bird in the 2009 legislative session (SB 228), as described in greater detail below.

The most well-known and restrictive of Colorado's tax and expenditure limits is the Taxpayer Bill of Rights, or TABOR, a constitutional amendment passed by voters in 1992. As passed, TABOR had several features:

- It required a vote of the people for any increase in taxes, state or local.
- It imposed restrictions on both spending and revenue. The formula restricted revenues from increasing faster than population growth and inflation. The base for setting the limit was the prior year's revenue collections or its revenue limit, whichever was lower. (This was referred to as the "ratchet effect," since it had the effect of permanently ratcheting down the base in times of economic downturns.)
- Any revenues collected in excess of the limit were to be returned to taxpayers.
- The limits applied to local as well as state government.
- Existing limits on revenue and expenditures were incorporated into TABOR.

Amendment 23 followed in 2000, prompted by declining K-12 education spending. This constitutional amendment mandates that the state increase its spending on public schools each year by an amount equal to inflation plus one percent until 2010, and by at least inflation thereafter. The Gallagher Amendment's restriction on residential property taxes, combined with TABOR's requirement that all tax increases be voted on, had already caused revenue from local sources to decline. Amendment 23's mandate for increases in education spending, when coupled with TABOR's revenue limits and Arveschough-Bird's General Fund spending limit, made it difficult to sustain other parts of the state's budget. An economic downturn in 2001-04 required massive cuts in state General Fund expenditures for all areas except K-12 education.

[5] When the statute was first passed, the limit was 7%. It was further strengthened in 1991. See Franklin James and Allan Wallis, "Tax and Spending Limits in Colorado" *Public Budgeting and Finance*, Winter 2004 p.21.

When TABOR's revenue limits, in conjunction with the Arveschough-Bird law, prevented the restoration of budget cuts that were made during the last economic recession, Referendum C was passed by voters in 2005.[6] This measure lifted TABOR limits on revenue collections for a five-year period, allowing the state to keep all of the revenues it collected during this period under existing laws governing taxes and fees. Under Referendum C, TABOR restrictions on growth would resume in FY 2011, but the base for the calculation would be the prior year's limit, not the level of revenues collected, thereby eliminating permanently the "ratchet effect" in TABOR.

In 2008, Colorado voters rejected an initiative that would have allowed the state to put revenues in excess of the TABOR limit into an education spending account, in exchange for the repeal of Amendment 23's spending mandates. With the exception of the removal of TABOR's ratchet effect through Referendum C, Colorado's tax and expenditure limits will again be fully operational in FY 2011, operating in tandem with Amendment 23's requirements on K-12 education spending.

The financial crisis and severe economic downturn which afflicted the country starting in 2008 has resulted in budget problems for most state and local governments, as revenue collections tumble while the demand for many public services increases. This led to a renewed concern regarding the ratchet effect associated with the Arveschough-Bird provision. Legislators understood that large revenue shortfalls would likely force them to cut General Fund expenditures.[7] Not wanting those cuts to become permanent, in 2009 the Legislature considered changes to the Arveschough-Bird formula. It enacted S.B. 228, eliminating the six percent cap on General Fund growth. The law retains a cap on the growth of General Fund spending, but it is tied to growth in personal income and is substantially less restrictive.[8]

Colorado's tax and expenditure limitations are generally viewed as being among the most restrictive in the nation. Nationally, the "tax revolt" which started in the 1970s and extended through 1995 led to the adoption of TELs in 27 states, including Colorado. Relatively few TELs have been put in place since that time, and a recent study places the total number of states with TELs at 31.[9] Some additional states require legislative supermajorities to raise taxes.

Although most states have TELs, few have gone so far as Colorado in terms of the stringency of the limits and the removal of any discretionary decision-making from elected officials on fiscal matters related to the TEL. Researchers have evaluated the restrictiveness of TELs on several dimensions:

- Is the TEL constitutional or statutory? It is much more difficult to change a constitutional provision.
  - *17 states, including Colorado, have TELs in their constitutions.*

- Is the TEL revenue limit tied to measures such as inflation and population growth, rather than growth in the state's economy? Inflation and population growth are much less sensitive measures and usually more restrictive.
  - *TELs in just three states, including Colorado, use inflation and population growth to calculate revenue limits.*

- How may taxes be raised? It is much harder to raise taxes through a vote of the people rather than in a representative body such as a legislature.
  - *Colorado is the only state that requires a vote of the people for virtually all tax increases, regardless of purpose or magnitude*

- Does the TEL permit discretion by elected officials (such as the legislature and/or the governor)?
  - *TABOR does not permit any discretion by elected officials, regardless of the economic context.*

Appendix A summarizes the characteristics of TELs in the 31 states that have them. It shows quite clearly that only Alaska's TEL is similar to TABOR in its restrictiveness. Unlike Colorado, Alaska is able to ameliorate the effects of its TEL through direct transfers of oil industry profits to its citizens.[10]

TABOR was enacted for the purpose of limiting Colorado's ability to collect revenue, and is widely regarded as one of the most stringent tax and expenditure limits in the country. The next section addresses whether it has achieved its stated purpose of slowing state revenue collection.

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[6] See *Looking Forward, Colorado's Fiscal Prospects after Ref C*, the Bell Policy Center, Colorado Children's Campaign and the Colorado Fiscal Policy Institute, 2007. available at www.thebell.org

[7] The federal stimulus program would have offset some of the effect of these cuts on services in the short term. However, these funds are not spent through the General Fund. Therefore the spending base would still have been lower and forced the cuts in later years.

[8] S.B. 228 also gives more discretion to legislators to set spending priorities. In the short term, it retains a formula diverting some General Fund revenue collections to transportation and capital construction. These provisions phase out, however, over time.

[9] Suho Bae and Thomas Gais, (2008). The Effects of State-Level Tax and Expenditure Limitations on Revenues and Expenditures" Rockefeller Institute Policy Brief. Albany, NY: Author.

[10] For information about Alaska's Permanent Fund Dividend program, see http://www.pfd.state.ak.us/.

II. Colorado's System for Raising Revenue

Another category of fiscal policy involves revenue collection. This section discusses how Colorado raises revenue, and trends in Colorado's revenue collection compared to the rest of the country.

Revenue Composition

States rely on many sources to raise the revenue that allows them to make expenditures on state operations and programs, including taxes, charges and fees, and funds from the federal government. Taxes, charges, and fees comprise a state's so-called "own-source" revenues.

Colorado is similar to the nation as a whole in the degree to which its revenue system is tied to sales and income taxes, a structure that allows revenue collections to keep pace with economic growth or decline. In fiscal year 2006, sales taxes accounted for 18.9 percent of the general revenue collected by all state and local governments and income taxes for 14.7 percent. In Colorado, the comparable shares are 19.1 percent and 14.5 percent respectively.[11] Thus, we would expect Colorado's trends in revenue collections to be relatively similar to other states.

Revenue Growth in Colorado

However, while Colorado is equally dependent on sales and income taxes as other states, Colorado's system did not yield the same growth in revenues as would be expected, given the growth in its underlying economy. In fact, Colorado's tax collections as a percent of income actually decreased by 4.5 percent, while increasing by 6.5 percent in the median state.

This can best be shown by examining state and local government own-source revenues measured as a percent of personal income. On this measure, Colorado remained essentially unchanged, decreasing by 0.1 percent between 1992 and 2006. In contrast, the percentage change in revenue collection for the median state was 9.8 percent, ranking Colorado 44th out of 50 states on this measure.

Another way to look at revenue collection is on a per capita (per-person) basis, rather than as a percent of personal income. Colorado's growth of 28.8 percent on this measure still lags behind most states, ranking 36th out of 50. As was the case with revenues, on the change in tax collections per capita, Colorado lagged even further behind. Colorado's tax collections increased by 23.1 percent compared to 28.2 percent in the median state.

State and Local Revenues: Colorado and How It Compares to Other States, 1992, 2000, 2006[12]

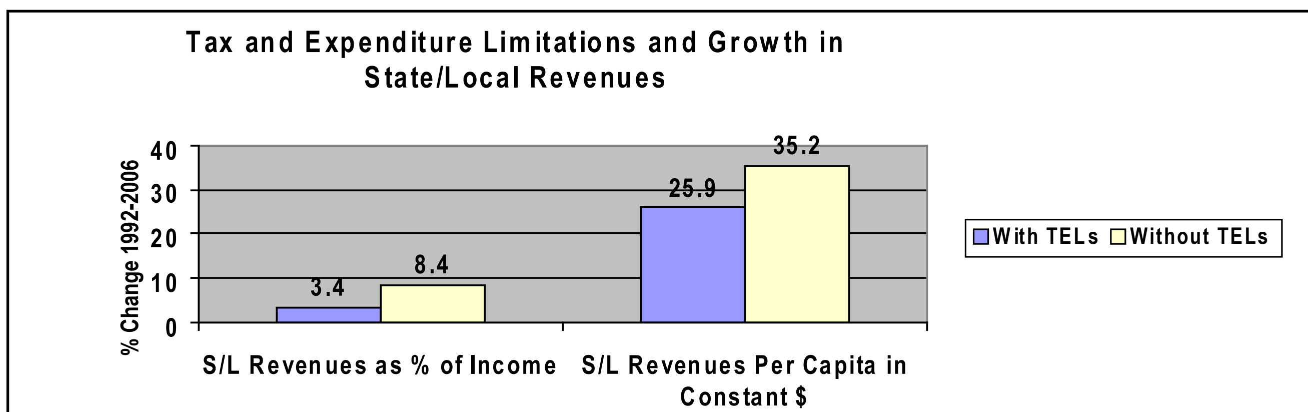
State/Local Government Own Source Revenues				
Measured as a Percent of Income	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	19.1%	19	19.5%	18.7%
2000	17.9%	37	20.7%	19.5%
2006	19.0%	36	21.0%	20.3%
Percentage Change Over Period				
1992-2006	-0.1%	44	0.1%	9.8%
1992-2000	-5.9%	45	6.0%	5.1%
2000-2006	6.1%	20	3.0%	3.1%
Measured Per Capita in Constant 2006 Dollars	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	5,837	16	5,641	5,264
2000	7,004	16	6,820	6,264
2006	7,517	17	7,386	7,067
Percentage Change Over Period				
1992-2006	28.8%	36	33.3%	34.4%
1992-2000	20.0%	29	22.0%	21.3%
2000-2006	7.3%	36	9.8%	10.8%

[11] State and Local Government Finance Data Query System, http://www.taxpolicycenter.org/slf-dqs/pages.cfm. The Urban Institute-Brooking Institution Tax Policy Center. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4.

[12] Analysis is based on data obtained from: State and Local Government Finance Data Query System, http://www.taxpolicycenter.org/slf-dqs/pages.cfm. The Urban Institute-Brooking Institution Tax Policy Center. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4.

State/Local Government Taxes				
Measured as a Percent of Income	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	9.6%	37	10.4%	10.3%
2000	9.2%	46	10.4%	10.3%
2006	9.2%	47	11.0%	10.7%
Percentage Change Over Period				
1992-2006	-4.5%	44	5.3%	6.5%
1992-2000	-4.5%	39	0.3%	1.5%
2000-2006	0.0%	41	5.2%	4.5%
Measured Per Capita in Constant 2006 Dollars	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	2,937	23	3,016	2,890
2000	3,575	19	3,439	3,309
2006	3,614	29	3,869	3,700
Percentage Change Over Period				
1992-2006	23.1%	37	29.4%	28.2%
1992-2000	21.7%	10	15.5%	17.8%
2000-2006	1.0%	48	12.4%	11.2%

Colorado's lag in revenue collections almost certainly stems from the extreme tax and expenditure limitations it has imposed on itself. A relationship can be observed using national data. States with TELs have experienced a smaller growth in revenues than states without TELs.



Incidence – Where Does the Burden of Taxes Fall?

Choices regarding the composition of the revenue stream affect not only the productivity of the system but also how the burden of paying for government is distributed. Generally a system that relies more on personal and corporate income taxes is viewed as more "progressive" than one relying on sales taxes, property taxes and user fees. A progressive tax system is one where those with the most income pay the higher share of taxes. A regressive system places a greater tax burden on persons with lower income.

A recent study by the Institute on Taxation and Economic Policy (ITEP) examined the incidence of state and local taxes by income group for all fifty states. In most states, the system for raising taxes is regressive, and Colorado is no exception. The study concluded that "low and middle income families in Colorado pay a much higher share of their income in state and local taxes than do the richest families in Colorado." The tax rate on families whose incomes place them in the bottom quintile of all families – those earning less than $17,000 in 2002 – was 9.9 percent, nearly twice the effective rate on the very wealthiest families – those that place them in the top one percent of families within the state. Furthermore, tax changes that occurred between 1989 and 2002 generally favored families with higher incomes. Taxes "rose on the poorest Coloradans, stayed about the same in the middle-income ranges and fell for the best-off fifth of Coloradans."

III. Spending in Colorado

The previous section showed that Colorado's tax and expenditure limitations have substantially adversely affected its ability to collect revenue compared to other states, and that the revenue that is raised comes disproportionately from lower- and middle-class taxpayers. This section will address trends in government spending in Colorado. Not surprisingly, lowered revenue means lowered spending.

Total Spending

Through their budget process, states decide how much to spend as well as how much to raise in revenues. The two decisions are clearly related. Sometimes decisions regarding service levels drive revenue choices; other times revenue availability will dictate or constrain spending options. When revenue growth lags, so too will government expenditures.

We find strong positive correlations between the percentage growth between 1992 and 2006 of state and local revenues and percentage growth of state and local expenditures in the same period.[13] State and local government expenditures in Colorado, measured as a percentage of personal income in the state, decreased by 5. 5 percent between 1992 and 2006, whereas in most other states, expenditures increased as a percent of income. Fully 41 states had a higher increase in expenditures relative to personal income than did Colorado.

If measured per capita, total expenditures by state and local governments in Colorado increased by 22 percent between 1992 and 2006. Relative to most other states, however, this growth rate was low. Thirty-eight states had a greater percentage increase in expenditures over the period

State and Local Expenditures: Colorado and How It Compares to Other States, 1992, 2000, 2006[14]

State/Local Government Own Source Revenues				
Measured as a Percent of Income	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	20.8%	30	22.4%	21.4%
2000	18.1%	45	21.8%	21.3%
2006	19.7%	44	23.3%	23.2%
Percentage Change Over Period				
1992-2006	-5.5%	41	4.7%	5.1%
1992-2000	-14.9%	45	-3.4%	-1.7%
2000-2006	9.8%	24	7.7%	7.7%
Measured Per Capita in Constant 2006 Dollars	**Colorado**	**Rank**	**Mean**	**Median**
By Year				
1992	$6,383	18	$6,466	$6,043
2000	$7,080	21	$7,155	$6,863
2006	$7,777	26	$8,185	$7,783
Percentage Change Over Period				
1992-2006	21.8%	39	28.5%	30.2%
1992-2000	10.9%	34	12.0%	13.4%
2000-2006	9.8%	37	14.9%	15.9%

[13]The correlations exist whether measured in real per capita dollars (.762) or as a percentage of personal income (.748).

[14]Analysis is based on data obtained from: State and Local Government Finance Data Query System, http://www.taxpolicycenter.org/slf-dqs/pages.cfm. The Urban Institute-Brooking Institution Tax Policy Center. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4.

Spending Priorities

When budgets are tight, what happens to expenditures for programs that help children develop to their fullest potential, and increase the likelihood that as adults, they will be able to obtain the kinds of jobs which pay enough to keep a family out of poverty? And what happens to expenditures on safety net programs that reduce deprivation and assist in making episodes of poverty shorter and less damaging? Studies undertaken by the Rockefeller Institute of Government provide some data and analysis useful in answering these questions, and show that Colorado's spending on children is dramatically low when considering the wealth of our state.

Noting that "states and their local governments play a crucial role in financing and delivering public services for children," researchers assembled information for all 50 states on spending for programs designed to help children or in which children are main beneficiaries.[15] Data was collected on elementary and secondary education; on large federal programs implemented and financed in part by states, including Temporary Assistance for Needy Families (TANF), Medicaid, State Children's Health Insurance Program (SCHIP), and on state earned income tax credit programs.

The study found considerable variation among states, with the level of spending per child in 2004 ranging from $3,699 to $9,297. Colorado spent $5,448 per child, which ranked it 30th out of the 50 states. Its expenditures per child increased by 29% since 1992, a rate of growth that ranked it 42nd among all states. The study went on to examine state fiscal capacity (wealth), using as its measure per capita gross state product. Since Colorado ranked 9th on this measure, its below-average spending on children cannot be attributed to a lack of overall fiscal capacity. Indeed on a measure of spending for children as a percent of gross state product, Colorado ranked 45th, devoting just 3.5 percent of state product to children, compared to 4.3 percent on average in the United States.

Table 1: State and Local Government Spending on Programs that Benefit Children

	Mean-All states	Median All States	Colorado	Colorado's Rank
Measured as a Percent of Income Percentage Change in Inflation-Adjusted Spending per child 1992-2004	38.2%	38.1%	29.4%	42
Level of Spending per Child 2004	$5930	$5693	$5448	30
Spending on children as a Percent of Gross State Product 2004	4.3%	4.3%	3.5%	45

Calculations are based on data reported in Patricia Billen, Donald Boyd, Lucy Dadayan and Thomas Gais, State Funding for Children: Spending in 2004 and How it Changed from Earlier Years" (Albany: Nelson A. Rockefeller Institute of Government) October 2007.

Another Rockefeller Institute policy brief focused on changes in social welfare spending per poor person between 1995 and 2005.[16] Three types of spending were examined: cash assistance, social services, and medical assistance. Cash assistance includes TANF, general assistance, home relief, refugee assistance, emergency relief and state supplements to Supplemental Security Income. In 2005, Colorado spent $116 per poor person within the state, a figure which placed it 47th among the fifty states. Colorado has reduced the amount it spends on cash assistance per person by 85 percent between 1995 and 2005. Only one state reduced its expenditures by a greater amount over the period.

[15]Patricia Billen, Donald Boyd, Lucy Dadayan and Thomas Gais. (2007). "State Funding for Children: Spending in 2004 and How it Changed from Earlier Years" Albany NY: Nelson A. Rockefeller Institute of Government.

[16]Thomas Gais, Suho Bae and Lucy Dadayan, (2007). "The End of Post-Reform Growth in Social Services: Social Welfare Spending by State and Local Governments 1977-2005." Albany, NY: Nelson A. Rockefeller Institute of Government.

Table 2: State and Local Government Spending on Social Welfare Programs				
	Mean-All states	Median All States	Colorado	Colorado's Rank
Cash Assistance Programs				
Percentage Change in Inflation-Adjusted Spending per poor person, 1995-2005	-37.1%	-47.9%	-85%	49
Level of Spending Per Poor Person, 2005	$596	$394	$116	47
Social Services Programs				
Percentage Change in Inflation-Adjusted Spending per poor person, 1995-2005	32.9%	24.4%	-7%	44
Level of Spending Per Poor Person, 2005	$2387	$2228	$1979	29
Medical Assistance Programs				
Percentage Change in Inflation-Adjusted Spending per poor person, 1995-2005	63.6%	50.6%	-16.6%	50
Level of Spending Per Poor Person, 2005	$8032	$7273	$4502	47

Calculations are based on data reported in Patricia Billen, Donald Boyd, Lucy Dadayan and Thomas Gais, State Funding for Children: Spending in 2004 and How it Changed from Earlier Years" (Albany: Nelson A. Rockefeller Institute of Government) October 2007.

During this period from 1995 to 2005, states were given greater latitude by the federal government to shift the emphasis of programs aiding the poor from cash assistance to social services. So, it might be argued that Colorado's reduction in spending on cash assistance is merely a reflection of this shift. However, the data do not support this view. Between 1995 and 2005, Colorado reduced its spending on social services per poor person by 7 percent. During this period, only 13 states reduced their social services spending per poor person and only six had greater reductions than Colorado. In 2005, Colorado spent $1,979 on social services per poor person in the state, a level that placed it 29th among the fifty states

The final dimension of safety net spending involves medical assistance – payments for medical care on behalf of low-income families or medically needy persons. Here, Colorado ranks very low, both in level of spending per person and in the change over the ten year period. Colorado spent $4,502 on medical assistance per poor person in 2005, which placed it 47th among the states. Colorado's spending on medical assistance actually decreased by 16.6 percent between 1995 and 2005. On the rate of change measure, Colorado ranked 50th among the states. Furthermore, it was the only state that showed a decrease in spending per poor person in that time period.

IV. How Public Spending Reduces Poverty[17]

Earlier sections focused on state fiscal policies and showed that Colorado's choices have constrained revenues and therefore spending overall, and on programs of importance to low income children and families. This section looks in greater detail at specific types of programs, examining past research findings to draw linkages between policy choices and poverty.

State policy plays a key role in providing critical supports that have a bearing on child poverty and child and family well-being. Clearly, parental well-being drives the well-being of their children, and given this connection, policies that support parents and families are essential. Additionally, policies that affect today's children will impact their earning ability as adults, thereby affecting the poverty status of future generations of children. Policy Matters 2008 identifies the most common policy measures that play a role in poverty and family stability. The literature consistently finds that the policy measures related to the following areas impact child poverty: income and asset growth; employment; health; education; family relationships; and public benefits and support.[18]

Public spending on benefits reduce poverty. In fact, they cut the number of people living in poverty by half.[19] Social Security, unemployment insurance, and Medicare provide benefits regardless of income, while other programs have income eligibility requirements. Low-income families can access benefits such as food stamps, Medicaid, child care subsidies, TANF and SCHIP.

Many public programs are federal in origin, but in many cases states determine key policy parameters, contribute funds, and are responsible for program implementation. Other programs are wholly state-designed and funded. This section will discuss those public spending programs that have been linked by research to decreases in poverty, with an emphasis on programs in which the state plays a large role.

Child Care Assistance

Child care is expensive and often beyond the means of low- and moderate-income families. Assistance with the costs of child care allows parents to work outside the home, especially those whose working incomes would not cover the cost of child care without assistance. And, research shows that children in families with working parents are less likely to be in poverty.[20]

The federal Child Care and Development Fund (CCDF) subsidies help low-income families with the cost of child care. States are responsible for making key choices regarding eligibility and benefit levels. Household income, the size of the family and the number of children in child care determine the size of the family's co-payment. Both state and federal funds support CCDF subsidies. The federal government provides funding to states in the form of the CCDF block grant, created under the 1996 welfare reform initiative. States may use money from TANF for their CCDF programs, and many states provide additional child care subsidies from other state sources. In the 2008 legislative session, legislators passed HB 1265, which allows counties to subsidize childcare for families who earn up to 85 percent of state median income.

States can also help families with the cost of child care by offering a credit through the tax system for expenses incurred by families. Colorado's state child care tax credit is not refundable, however, and does not benefit the poorest families. Additionally, "many low-income families cannot afford to incur child care expenses and wait for reimbursement after filing their taxes, and the value of the current credits or deductions is often well below the cost of child care."[21]

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[17]For several interesting reports on state social service spending, see: 1) "Spending on Social Welfare Programs in Rich and Poor States." Prepared for: Department of Health and Human Services Assistant Secretary for Planning and Evaluation. The Lewin Group and the Nelson A. Rockefeller Institute of Government. June 30, 2004; 2) "Assessing State Social Service Spending Under Welfare Reform." The Nelson A. Rockefeller Institute of Government. September 2002.; 3) Ellwood, D., Boyd, D. "Changes in State Spending on Social Services Since the Implementation of Welfare Reform. The Nelson A. Rockefeller Institute of Government. February 2000; 4) Mayer, S. The Relationship between Economic Inequality and Government Social Spending in the United States; 5) Gais, T. and Dadayan, L. "The New Retrenchment: Social Welfare Spending, 1977-2006." The Nelson A. Rockefeller Institute of Government, September 2008.

[18]Center for the Study of Social Policy. (2008). "Policy Matters 2008 Data Update: Twenty State Policies to Enhance States' Prosperity and Create Bright Futures for America's Children, Families and Communities." Washington DC: Author. Available at http://www.cssp.org/policymatters/fullreport.html.

[19]Sherman, A. (2005). Public Benefits: Easing Poverty and Ensuring Medical Coverage. Washington DC: Center on Budget and Policy Priorities.

[20]E.g.., Matthews, H. (2006). "Child Care Assistance Helps Families Work: A Review of the Effect of Subsidy Receipt on Employment." Washington, DC: Center on Law and Social Policy. See also Gennetian, L., Crosby, D., Huston, A., and Lowe, E. (2002). "How Child Care Assistance in Welfare and Employment Programs Can Support the Employment of Low-Income Families." The Next Generation Project Working Paper No. 11. New York: Manpower Research and Demonstration Company.

[21]Colorado Fiscal Policy Institute. (2008). "State of Working Colorado 2007," p.35.

Earned Income Tax Credit (EITC)

The federal government and twenty-three states have enacted an Earned Income Tax Credit for working families to encourage work and increase income in families with low earned incomes (such as those in which adults are working at minimum wage jobs). When the EITC exceeds the amount of taxes owed, it results in a tax refund for those who claim and qualify for the credit.

Research clearly shows that the EITC, established in 1975, increases employment, reduces welfare receipts, and contributes to decreases in poverty. Many sources argue that the EITC is the most effective anti-poverty program in America. The Center for Policy Alternatives reports that in 2003, the federal EITC "lifted 4.4 million people out of poverty, including more than 2.4 million children. The addition of a state EITC helps to offset the rising costs of health care, child care, housing, and other necessities."[22]

Studies have shown that some families use their EITC payments not only for necessities but also for significant needs, such as the purchase of a home. The EITC is administratively simple and has bipartisan support. Additional states are expected to enact EITCs.

Elements of an effective state EITC include:

- Refundability
- A credit of at least 15 percent of federal EITC
- A bonus for EITC funds deposited into a savings or investment account
- Qualification for workers without children[23]

There have been numerous research studies conducted on the EITC, including studies of its effect on employment -- many of these studies by some of the nation's leading labor economists.[24] They find that the EITC substantially increases the number of single mothers who work.[25]

Colorado has an EITC, but it is only available in years when there is a TABOR surplus.[26] When there is no surplus (usually when the economy is declining and families need financial help the most), there is no state EITC. Colorado has not had an EITC since 2001 and the Colorado Fiscal Policy Institute projects that without a permanent state EITC freed from its link to TABOR, the credit will not be available until at least 2013.[27] Efforts to restore the EITC fell short in the 2008 legislative session over conflict about the funding mechanism.

[22]Center for Policy Alternatives: EITC.xml. http://www.stateaction.org/issues/issue.cfm/issue/EITC.xml.
[23]See "State Earned Income Tax Credit." CFED, 2007-2008 Assets & Opportunity Scorecard for more detail of these components.
[24]For a summary of research on the EITC, CBPP refers the reader to V. Joseph Hotz and John Karl Scholz, "The Earned Income Tax Credit." In Robert A. Moffitt, ed., *Means-Tested Transfer Programs in the United States*. Chicago: The University of Chicago Press, 2003.
[25]CBPP has published extensive information about the EITC, covering EITC basics, how it works, reductions in poverty, the benefits of the EITC in general, how the benefit can be improved and detailed information about how much it would cost for a state earned income tax credit in 2009, by state. The Center recently wrote a report, "A Hand Up, How State Earned Income Tax Credits Help Working Families Escape Poverty In 2006." The report contains basic information about the EITC, its impact on poverty, reasons to enact a state EITC, elements of designing and financing a state EITC and includes advice from advocates who have worked to enact a state EITC. The State EITC Online Resource Center provides access to research and resources about state EITCs and efforts to enact the credit in particular states.
[26]Colorado Center for Law and Policy. 2008. "What's Not In Your Wallet? The Earned Income Tax Credit In Colorado: The Numbers By Colorado State Senate District." Available at http://www.cclponline.org/pubfiles/2007_5_23EITCSenate.pdf; see also, Rich Jones, Director of Policy and Research, The Bell Policy Center. 2008. Testimony in Support of HB08-1362 to Reinstate Colorado's Earned Income Tax Credit. Available at http://www.thebell.org/PUBS/testimony/2008/EITCTestimonyApril2008.pdf.
[27]Id.

Medicaid and SCHIP

Access to health care improves the health of children and their families. The uninsured are less healthy overall and have higher mortality rates than insured persons. Poor health, in turn, is related to income: "…the research generally concludes that poor health reduces annual earnings from work, primarily through reduced labor force participation and work effort in conjunction with a small effect on productivity as measured by wage rates [table omitted]."[28]

Medicaid is a federal-state partnership, with state laws, state regulations, federally approved state waivers, and approved "state plans" all creating significant variations in benefits from state to state. States can and have enacted various Medicaid policy actions to improve the program for recipients, such as increasing provider payments, expanding benefits and eligibility, simplifying the application and renewal process and decreasing co-payments.

Research shows that Medicaid provides health care to millions of people and covers more people when need increases, such as during the recent economic downturn. Medicaid improves access to doctors and preventive care, provides medical care at a lower cost than private insurance, and covers people who cannot get private coverage no matter what the cost, including low-income persons and those with disabilities.[29]

The State Children's Health Insurance Program (SCHIP) provides health insurance coverage for low-income children under age 19 and pregnant women who are not eligible for Medicaid. SCHIP allows coverage for children in families up to 200 percent of the federal poverty level. States have broad jurisdiction over their programs' designs. Some states have increased eligibility levels while others have set levels below 200 percent of poverty.[30]

CBPP reports that the number and percentage of uninsured individuals, children and families, is likely to rise in 2008 and 2009. As unemployment continues to rise, so do uninsured parents and children. The economic downturn will lead states to cut Medicaid spending to balance their budgets. The Kaiser Commission on Medicaid and the Uninsured finds that:

- Economic downturns increase Medicaid enrollment and spending
- Economic downturns reduce state revenues
- State policy responses can worsen cyclical downturns
- Federal fiscal relief in 2003-2004 had positive effects[31]

According to a state-by-state scorecard on state health care systems, Colorado ranks 48th for child access to health care. As of 2007, thirty-three percent of our children living in families with incomes below 100 percent of the federal poverty level were uninsured – the second worst rate in the country.[32] Children with special health care needs would do well to be born in another state. Nearly three-quarters of special needs children in our state did not get referrals to specialty care when needed, the second-highest rate in the country.

Colorado's legislators are beginning to respond to these issues. In 2009, the General Assembly passed HB 1293, the Colorado Health Care Affordability Act, which increased eligibility for Medicaid and CHP+. Specifically, the bill expanded coverage for kids in CHP+ to 250% of the federal poverty level, increased eligibility for parents and childless adults in Medicaid to 100% of federal poverty level, created a Medicaid buy-in program for disabled adults and instituted a continuous eligibility policy for children in Medicaid. It is important to note, however, that these expansions were financed through a Medicaid provider fee paid by hospitals. This federal financing mechanism allows states to generate revenue for the Medicaid program without expending state General Fund resources.

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[28]Hadley, J. (2002). Sicker and Poorer: The Consequences of Being Uninsured. Report prepared for the Kaiser Commission on Medicaid and the Uninsured. Washington, DC: Henry J. Kaiser Foundation. Available at http://www.kff.org/uninsured/20020510-index.cfm.

[29] Ku, L. 2005. MEDICAID: Improving Health, Saving Lives. Washington DC: Center on Budget and Policy Priorities.

[30]The National Conference of State Legislatures offers a straightforward document that describes how SCHIP is structured, who is covered, what services are covered, how SCHIP differs from Medicaid, how SCHIP is funded and explains reallocation and reauthorization in "Frequently Asked Questions - SCHIP." National Conference of State Legislatures. Forum for State Health Policy Leadership.

[31]Dorn, S., Garret, B., Holahan, J. and Williams, A. (2008). Kaiser Commission on Medicaid and the Uninsured: Medicaid, SCHIP and Economic Downturn, Policy Challenges and Policy Responses. Washington, DC: the Urban Institute.

[32]Annie E. Casey Foundation, Kids Count Data Center, Children 17 and Below Without Health Insurance by Poverty Level: Below 100% poverty (percent) – 2007. http://datacenter.kidscount.org/data/acrossstates/Rankings.aspx?loct=2&by=v&order=d&ind=34&dtm=308&ch=22&tf=18

TANF

TANF and other forms of welfare programs provide support to families who need assistance. The Personal Responsibility and Work Opportunity Reconciliation Act established the Temporary Assistance for Needy Families (TANF) federal block grant to states. States have some flexibility to design their own rules regarding eligibility and benefit levels, work requirements, maximum time limits, and use of funds for training, education, and other supports for families. Some states have also established programs outside the federal framework to provide some kind of safety net for families that were not successful in attaining self-sufficiency within the time limits established by TANF.

Although most discussions of TANF focus on the declining number of families receiving cash assistance, the increasing employment rates of single mothers and declining child poverty during the 1990s, these trends do not address the impacts of TANF on poor families over the past ten years. CBPP reports that:

- "Child poverty fell during the 1990s, but has increased significantly in recent years as has the number of children living below half the poverty line... receipt of other safety net programs increased as the economy weakened and poverty rose, TANF did not."
- "Employment rates among single mothers are higher today than in the mid-1990s . . . single mothers who leave welfare for work remain poor and often face significant material hardships."
- "The number of poor single mothers who are jobless, do not receive cash public assistance (from TANF or other programs) and do not live with others who work or receive cash income support has increased significantly."
- "TANF now helps a much smaller share of the families that are poor enough to qualify for the program than it used to."[33]

CBPP reports that recent TANF reauthorization provisions may only exacerbate the trends listed above, and emphasizes the importance of work-promoting policies outside of TANF, such as EITC, Medicaid and SCHIP, and support for child care assistance.

In the 2008 legislative session, Colorado legislators brought state benefits to the national median by approving a 20 percent increase in the monthly TANF cash grant, to be effective January 2009. Legislators also gave the State Board of Human Services authority to increase this amount.[34] However, even with the increase, a family of three would only receive about $420 per month.[35]

Unemployment Insurance

Unemployment benefits allow workers to continue receiving payments while looking for other jobs, decreasing the number of families that slide into poverty while unemployed.[36] The federal/state Unemployment Insurance Program provides unemployment benefits to eligible workers. Within federal guidelines, states can define eligibility, benefit amounts and length of benefits.

Low-wage workers are less likely to receive unemployment insurance benefits than higher-wage workers are, and people working part-time are significantly less likely to receive benefits, regardless of their wage level. These differences are a function of variation in eligibility rules across states. Some states do not count workers' most recent income toward the minimum earnings often required for eligibility. "Low levels of receipt may also be explained by low-wage workers' reasons for separating from work, because eligibility rules in many states do not recognize illness or disability of a family member as good cause for leaving employment."[37] Further, many states do not consider a worker eligible for benefits if that individual is available for only a part-time position, and he or she also may face similar eligibility issues in meeting the minimum earnings requirement.

[33] Parrott, S. and A. Sherman A. (2006). *TANF at 10: Program Results are More Mixed than Often Understood.* Washington DC: Center on Budget and Policy Priorities.

[34] Colorado Children's Campaign (2008). "Moving the Needle: An Up-to-Date Look at What States Are Doing to Alleviate Hardship among Children and Families." Denver, CO: Author.

[35] http://www.cbpp.org/11-24-08tanf.pdf

[36] The Center for American Progress Task Force on Poverty (2007). "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half." Washington DC: Center for American Progress.

[37] United States Government Accountability Office. (2007). "Unemployment Insurance: Receipt of Benefits Has Declines, with Continued Disparities for Low-Wage and Part-Time Workers." Testimony before the Subcommittee on Income Security and Family Support, Committee on Ways and Means, House of Representatives. September 2007. GAO-07-1243T.

These state eligibility requirements are more likely to affect female than male workers. Mothers caring for young children are more likely to work part-time and women are more likely to hold lower-wage jobs. Most states do not extend benefits for job loss because of the need for family care or due to domestic violence. The Institute for Women's Policy Research states that these problems are easily solved. "States can lower required earning thresholds that currently exclude too many workers. Employers can report workers' recent earnings so that workers with low earnings or shorter job tenure can qualify . . . and those who must leave work because of a care-giving crisis at home, such as a spouse becoming disabled, or domestic or sexual violence can also be deemed eligible if they meet earnings tests."[38] The Institute further makes the point that these workers have earned these benefits, because their employers have contributed to unemployment insurance while these workers were employed.[39]

In the three years between 2000 and 2003, the number of single mothers in poverty increased while the number of employed mothers decreased. The number of children in poverty increased, including those living in extreme poverty, and the rate of food stamp receipt and Medicaid increased, but TANF assisted fewer people in 2003 than in 2000. Some government officials have suggested that unemployment benefits are filling in where TANF benefits are dropping off. However, CBPP reports that, "for most poor families, unemployment insurance has not proved to be an effective substitute for the TANF safety net during this period of labor market weakness."[40] Furthermore, the Bush administration has opposed efforts to improve the unemployment insurance program. For example, in the 2002 economic stimulus legislation, the administration blocked changes that would expand benefits for low-wage and part-time workers, including the Temporary Extended Unemployment Compensation program that ended in 2004.[41]

Colorado's unemployment insurance policies have been faulted for failing to include an alternate base period, which can penalize workers who do not qualify under the regular base period used to calculate benefits.[42]

Child Support Enforcement

Child support enforcement (CSE) accomplishes several critical supports. The program seeks to ensure that parents provide financial support for their children and may ensure children's health coverage by the non-custodial parent. The program helps the custodial parent locate the non-supporting parent and establishes legally binding obligations. The primary method for child support collection is withholding from parents' paychecks.

Research has identified numerous CSE advantages:

- Researchers estimate that the increase in child support receipt and improvements in the CSE program have helped reduce the number of families receiving TANF.
- Families receiving child support are less likely to be poor and more likely to be employed than parents that do not receive support.
- Children in families who receive support have more positive child well-being outcomes.
- CSE provides a high return on its investment – CSE collects $4.38 in child support for every $1 spent to collect the support.
- Every $1 spent to collect support saves more than $1 in reduced public assistance.
- Since Congress improved the program in 1993, the number of legally established paternity cases has tripled and the number of orders to provide health coverage has quadrupled.[43]

The Center for Law and Social Policy (CLASP) reports that, in 2002, "child support payments lifted more than a million Americans above the poverty line."[44] However, they also make the case that the majority of poor children living in single-parent families do not receive child support, and suggest that states could do more to provide services and benefits to fathers that would, in turn, provide support to their children. Further, CLASP suggests expanding the EITC credit to workers who are paying child support.

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[38] Institute for Women's Policy Research. (2008). "Women and Unemployment Insurance: Outdated Rules Deny Benefits That Workers Need and Have Earned." Fact Sheet. Washington, DC.

[39] See The U.S. Department of Labor for numerous reports regarding employment characteristics and women and work. See also, Maurice Emsellem, Andrew Stettner, and Omar Semidey, (2007). *The New Congress Proposes $7 Billion in Incentive Payments for States to Modernize the Unemployment Insurance Program.* New York: National Employment Law Project.

[40] Fremstad, S., S. Parrott and A. Sherman. (2004). *Unemployment Insurance Does Not Explain Why TANF Caseloads are Falling as Poverty and Need are Rising*. Washington DC: Center on Budget and Policy Priorities.

[41] The U.S. Department of Labor issued a report in 2007 (U.S. Department of Labor, Office of Workforce Security, Division of Legislation. "Unemployment Compensation, Federal-State Partnership, April 2007). It describes the basic unemployment compensation system, information about financing the program, coverage information, benefit rights, and information about additional benefit programs such as unemployment compensation because of a disaster, self-employment assistance, etc.

[42] National Employment Law Project and Colorado Fiscal Policy Institute (March 2003). "Colorado Unemployment Insurance Program at-a-Glance." Issue Brief. Denver, CO: Colorado Fiscal Policy Institute.

[43] Turetsky, V. 2005. *The Child Support Enforcement Program: A Sound Investment in Improving Children's Chances in Life.* Washington DC: Center for Law and Social Policy.

[44] Turetsky, 2005.

Education

Without exception, research shows a significant relationship between all levels of education and poverty. People with higher levels of education are more likely to earn more over their lifetimes.[45]

The Bell Policy Institute has developed the concept of Gateways of Opportunity. People pass through a series of gateways throughout life, building from one to the other to achieve a lifetime of success. Gateway #3 is "Building a Solid Base for Literacy."

> ***An Opportunity Gateway Out of Poverty***
> "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."[46]

"It is important to acknowledge that for many disadvantaged populations in the U.S., the road to higher levels of educational attainment and improved economic prosperity becomes difficult long before high school, college, or their entrance into the workforce. Challenges can begin as early as prenatal care and continue to escalate through early childhood, preschool, and elementary school. And these challenges are further complicated by poverty and underfunded schools."[47]

The education continuum spans the following elements:

- **Quality early childhood care and education,** whether delivered in or out of the home, so that children are ready to succeed in school. In or out of the home, it requires parent education and supports, and a health care system that ensures that children are able to learn. Out of the home requires qualified and caring teachers.[48]

- A **strong PK-12 education system** that is relevant and rigorous, that keeps children in schools, closes the achievement gaps between gender, students of different race and ethnicity, and produces children who are ready to succeed as they move through the PK-12 education pipeline.[49]

- A **seamless system of postsecondary education** opportunities that provides access and opportunities for students coming directly from secondary school, persisting from freshman to sophomore year through graduation; going from two-year to four-year institutions; and nontraditional students who want to begin or return to a post secondary education, and entry into the workforce.[50]

Currently, although Colorado has one of the most highly-educated populations in the country, its high school graduation and college-going rates are mediocre. The state has imported many of its most highly-educated citizens. K-12 per-pupil spending is average compared to the rest of the country, but far below average when calculated as a percentage of total personal income. State funding for higher education is at the bottom by any measure.[51]

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[45] Day, J. and Newburger, E. (2002). "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings." Current Population Reports, P23-210. Washington DC: U.S. Census Bureau. Available at http://www.census.gov/prod/2002pubs/p23-210.pdf.

[46] The Bell Policy Institute. (2005). "Gateway 3: Building a Solid Base for Literacy in Colorado: The State of Opportunity." Available at http://www.thebell.org/PUBS/annual/2005/G3Literacy.pdf.

[47] Kelley, P. (2008). *Beyond Social Justice: The Threat of Inequality to Workforce Development in the Western United States*. p 13. Boulder, CO: Western Interstate Commission for Higher Education (WICHE), Available at http://www.wiche.edu/policy/Ford/beyondSocialJustice.pdf.

[48] The Bell Policy Institute. (2005). "Early Childhood Education." Available at http://www.thebell.org/issues/edu/early.php. See e.g. Robert G. Lynch (2007). Enriching Children, Enriching the Nation. . Washington, DC: Economic Policy Institute., http://www.epi.org/content.cfm/book_enriching.

[49] Patrick Kelley in Beyond Social Justice (in above) says (pp. 11-12) that Colorado's economy in the near future will "rest on a workforce that is becoming increasingly diverse. Residents of European descent are growing older and making up an ever-smaller proportion of the workforce. Meanwhile, the economy is demanding more upward mobility among Hispanic, Black non-Hispanic, and American Indian/Alaska Native populations." According to WICHE, Colorado is one of the Western states with the highest gaps in high school attainment levels between White non-Hispanics and the three most disadvantaged minority groups in the nation. Colorado also has one of the West's largest gaps between White non- Hispanics and minorities at the college-level.

[50] Protopsaltis, S. (2005). *Exploring Colorado's Educational Pipeline,* The Bell Policy Center White Paper No 1. Available at http://www.thebell.org/PUBS/WP/2005/1Pipeline.pdf. Access and opportunities to succeed include adequate financial aid sources; academic policies and support services that help working and parenting students with challenges of balancing persistence in education with work and family responsibilities; academic polices that "accelerate progress and connect these services closely to occupational pathways in the colleges," especially for adult education, ESL learners, and those who need college remediation, see, e.g., Amy-Ellen Duke and Julie Strawn. (March 2008). Overcoming Obstacles, Optimizing Opportunities: State Policies to Increase Postsecondary Attainment for Low-Skilled Adults. Center for Law and Social Policy. Prepared for Breaking Through. Available at www.clasp.org/publications/bbtpolicyoverview.pdf; Amy Ellen Duke-Benfield and Julie Strawn. (September 2008). Congress Expands Student Aid and Supports Innovation in Student Success, Basic Skills and Workforce Partnerships. Available at http://www.clasp.org/publications/hea_expandsstudentaid.pdf. Access and opportunity also include new sate and county policies that help TANF participants participate in education and training activities without losing benefit eligibility. See e.g., Elizabeth Lower-Basch. (February 2008). Education and Training for TANF Recipients: Opportunities and Challenges under the Final Rule Center for Law and Social Policy. http://www.clasp.org/publications/ed_and_training_rules_for_tanf_2008.pdf.

[51] cites

Other programs

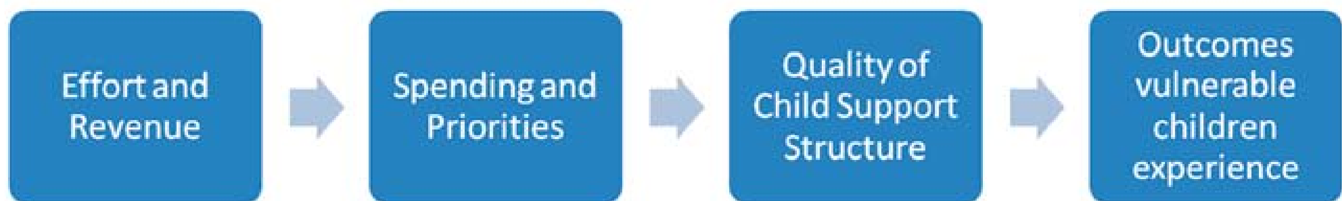
Other federal programs that are also critical in preventing and alleviating poverty include the federal Section 8 housing program, which provides subsidized housing vouchers, and Social Security, which provides retirement and disability income as well as income for survivors.

A stable housing situation makes it more likely that adults will be able to find and keep employment, that children will be protected from the effects of homelessness, and that families will be able to stay out of poverty.[52] Colorado has no stable revenue source or program that helps families maintain safe and affordable housing and to increase the pool of affordable housing. A variety of groups in Colorado have promoted the concept of a housing trust fund, to be used to expand affordable housing. Thirty-eight states have housing trust funds.[53]

The preceding section, together with *Moving the Needle,* the recent report from the Colorado Children's Campaign, shows that there is much that states can do to prevent poverty and ameliorate its effects. Failing to invest in these policies may save money in the short-term, but it is bound to result in much greater long-term costs.

V. Three Southwestern States: Fiscal Policies, State Spending, and Child Poverty Trends

The prior sections have established that Colorado has a severely restrictive tax and expenditure limitation; that revenues in Colorado have not increased at a rate comparable to other states; that state spending similarly has not increased when compared to other states; and that state spending on public programs can have a significant impact on child poverty, which is increasing at an unprecedented rate in Colorado. The theoretical relationship among these variables can be expressed as follows:



The causes of child poverty are complex and difficult to untangle. We do not claim that Colorado's recent jump in child poverty is directly and solely caused by its tax and expenditure limitations. However, state fiscal policies do affect public spending, and public spending does affect the welfare of children and the state's ability to ameliorate the effect of child poverty.

To understand these concepts on a more concrete level, we looked at three states: Colorado, Arizona and New Mexico. We chose Arizona and New Mexico for comparisons because they are neighboring states, and have substantial Hispanic/Latino populations and similar mix of urban and rural communities like Colorado, but have experienced much less growth in child poverty than Colorado from 2000-2007. With only three states, we are not able to perform any meaningful statistical analyses nor claim any correlations; however, we believe that the observable trends in each state with respect to fiscal policy, state spending on programs affecting children, and childhood poverty are worthy of a closer look, and have profound implications.

[52] Center on Budget and Policy Priorities. 2007. "Introduction to the Housing Voucher Program." CBPP refers to the following study: Gregory Mills et al., "Effects of Housing Vouchers on Welfare Families," prepared by Abt Assocites for the HUD Office of Policy Development and Research, 2006.
[53] http://www.thebell.org/PUBS/annual/2006/ImpMemo/M13-affordable-housing.pdf

Comparison of State Demographics

Colorado's childhood poverty rate increased dramatically from 2000-2007. From 2000-2007, Colorado experienced an 84.6 percent increase in children living in households with incomes less than 100 percent of the Federal Poverty Level (FPL). In contrast, during this same time period, the comparable measure of childhood poverty increased by only 6.8 percent in Arizona, and decreased by 6.1 percent in New Mexico.

Table 3: Comparison by State: Change in Child Poverty Levels and Child Population, 2000-2007		
State	**Change in Child Population, 2000-2007**	**Change in Number of Children Living in Households with Incomes Less Than 100% FPL**
Colorado	**7.8%**	**84.6%**
Arizona	**21.4%**	**6.8%**
New Mexico	**-1.4%**	**-6.1%**

As Table 3 shows, this increase in childhood poverty clearly cannot be explained by population growth, since Colorado had only an eight percent increase in the total population under 18 years old during this time period. Arizona's childhood poverty rate increased by 6.8 percent from 2000-2007, a much smaller increase than the state's 21 percent increase in total population under 18. In New Mexico, the childhood poverty rate decreased more steeply than the child population -- child poverty decreased 6.1 percent from 2000-2007, while the state's total population under 18 decreased by one percent.

The demographic characteristics of the states strongly suggest that New Mexico should have the highest rate of childhood poverty and Colorado the lowest. As Table 24 shows, in 2006 Colorado had the highest proportion of non-Hispanic white persons and the lowest proportion of persons of Hispanic or Latino origin and of American Indian and Alaska Native (AIAN) persons.

Table 4: Comparison by State: Race and Ethnicity of Total Population, 2006				
State	**Non-Hispanic White**	**Hispanic or Latino Origin**	**Black**	**AIAN**
Colorado	**71.7%**	**19.7%**	**4.1%**	**1.1%**
Arizona	**59.7%**	**29.2%**	**3.8%**	**4.8%**
New Mexico	**42.8%**	**44.0%**	**2.5%**	**9.8%**

Comparison of Growth in Childhood Poverty

The data indicate that the growth in childhood poverty was greatest among children in extreme poverty and decreased as more inclusive measures of poverty are used. In Colorado, extreme childhood poverty – children in households with incomes less than 50 percent of FPL – increased by an alarming 136.8 percent from 2000-2007. Arizona also had a very large increase in extreme childhood poverty: 88.9 percent from 2000-2007. New Mexico had a comparatively modest increase in extreme childhood poverty of 12.9 percent.

At the other end of the poverty scale, in Colorado, children in households with incomes less than 200 percent of the FPL went up by 16.1 percent from 2000-2007. This is still a large increase in childhood poverty, but it is much smaller than the increase in children in households with incomes less than 50 percent and less than 100 percent of FPL. Arizona experienced a 19.5 percent increase in children in households with incomes less than 200 percent of FPL, while New Mexico saw an 8.1 percent drop in this same group from 2000-2007.

State TELs and Revenue Collection Trends

New Mexico does not have a tax and expenditure limitation. Arizona has a constitutional TEL that ties appropriations to a percentage of total state personal income, a measure that is able to be responsive to ups and downs in the state economy. As discussed above, Colorado's TEL, TABOR, is tied to population growth and inflation, a much less responsive measure of state economic trends, and has other components that make it among the strictest TELs in the country.

As was shown in Section II, revenue collections in Colorado failed to keep pace with national trends during the period 2000-2006. This is also true when Colorado is compared to Arizona and New Mexico.

Table 5: Comparison by State: Per Capita Revenue 2000 and 2006

State	Per Capita Own Source Revenues 2000	Per Capita Own Source Revenues 2006	Percentage Change 2000-2006	Total Own Source Revenue 2006 (in millions)
Colorado	$4,586	$5,727	19.9%	$27,665
Arizona	$3,584	$4,487	20.1%	$27,298
New Mexico	$4,213	$5,809	27.5%	$11,282

Even more striking is a comparison of the states' revenue as a percentage of personal income earned in the state. As stated earlier, Colorado is one of the wealthiest states in the country. This fact, combined with our tax limitations, result in our revenue collections being far below what they could be.

Table 6: Comparison by State: State and Local Revenue as a Percentage of Personal Income, 2000 and 2006

State	Own Source Revenues 2000	Rank 2000	Revenue 2006	Rank 2006
Colorado	10.4%	43	9.8%	47
Arizona	11.2%	22	11.0%	34
New Mexico	12.7%	6	12.9%	9

New Mexico's 2006 collection of state and local revenue as a percentage of personal income was 110% of the national average, while Arizona was below the national average at 93%. Colorado's revenue collection as a percentage of personal income, however, was just 84% of the national average. Just New Hampshire (which has no state income tax), South Dakota, and Alabama have a lower percentage than Colorado.

State Spending and Child Poverty

Between 2002 and 2006, state spending as a percentage of personal income rose from 17.9 percent to 18.2 percent in Arizona, from 25.4 percent to 25.6 percent in New Mexico, and dropped from 17.8 percent to 16.4 percent in Colorado.

When we looked at measures that reflected state spending on safety net programs, there were many instances where Colorado did substantially less well than Arizona and especially New Mexico. Colorado had greater increases in program costs for poor families and also greater decreases in program coverage than Arizona or New Mexico:

In Colorado, child care assistance monthly copayments as a proportion of income increased 11 percent from 2001-2007.[54] In contrast, comparable families in Arizona and New Mexico have paid a constant percentage of their income in monthly child care assistance copayment (i.e., there has been no change from 2000-2007). This difference between Colorado and the other two states occurred during a period in which Colorado's median family income for families with children increased much more slowly than the comparable income in Arizona and New Mexico, as shown in Table 5.

Table 7: Comparison by State: Median Family Income for Families with Children, 2000-2006

State	2000	2006	Change, 2000-2006
Colorado	$55,800	$58,800	5.4%
Arizona	$40,700	$49,400	21.4%
New Mexico	$35,600	$41,000	15.2%

In Colorado, the percentage of all children age 0-5 with no health insurance increased by 22 percent from 2000-2006, a much higher increase than in Arizona or New Mexico. The percentage of all children age 0-5 with no health insurance increased by 2 percent in Arizona and stayed constant in New Mexico during this period. As shown in Table 8, in Colorado, this translates to 55,000 children age 0-5 without health insurance in 2000 increasing to 67,000 in 2006. In Arizona, despite the much smaller percentage increase from 2000-2006, the number of children without health insurance remained much higher. In New Mexico, the number of children without health insurance did not increase, and remained fairly small in both years. While Colorado and Arizona have fairly similar numbers of children age 0-17, New Mexico has only 45 percent as many children age 0-17 in both 2000 and 2006. This undoubtedly helps explain why New Mexico has far fewer uninsured children than either Colorado or Arizona.

Table 8: Comparison by State: Children Age 0-5 with No Health Insurance, 2000-2006

State	Children Age 0-5 with No Health Insurance, 2000	Children Age 0-5 with No Health Insurance, 2006	Change in Percentage of All Children with No Health Insurance, 2000-2006
Colorado	55,000	67,000	21.8%
Arizona	84,000	86,000	2.4%
New Mexico[55]	22,000	22,000	No change

In Colorado, Medicaid spending as a percentage of total state expenditures dropped by about one percent from 2000-2006. In contrast, Medicaid spending increased by 73 percent in Arizona and 48 percent in New Mexico during this period. As Table 9 shows, while Medicaid spending comprised a larger proportion of Colorado's 2000 total state expenditures than Arizona or New Mexico's, by 2006 Medicaid spending made up a higher proportion of total state expenditures in Arizona and New Mexico than it did in Colorado. These data make it appear that Medicaid has become a lower budget priority in Colorado than in the other two states. It should be noted, however, that since Medicaid recipients include the elderly and the medical expenses for the elderly can be quite high, this reduction may largely reflect a drop in Colorado's elderly population as a portion of the state's total population. A future study could use a finer measure of Medicaid, namely, Medicaid spending on families with children.

[54] This indicator is measured for a three-person family at or below 100 percent FPL with one child in child care.

[55] While the data for New Mexico seem unlikely, KidsCount rounded the data to the nearest thousand, which masks the fact that the number of children age 0-5 without health insurance changed (minimally) from 2000-2006.

Table 9: Comparison by State: Medicaid Spending as a Percentage of Total State Expenditures, 2000-2006			
State	**Medicaid Spending as a Percentage of Total State Expenditures, 2000**	**Medicaid Spending as a Percentage of Total State Expenditures, 2006**	**Change in Medicaid Spending as A Percentage of Total State Expenditures, 2000-2006**
Colorado	**17.1%**	**17.0%**	**-0.6%**
Arizona	**13.9%**	**24.0%**	**72.7%**
New Mexico	**14.5%**	**21.5%**	**48.3%**

On some of the indicators that we inspected, Colorado looked similar to Arizona and New Mexico, for example, in per pupil spending for grades K-12. In 1999-2000, Colorado had by far the highest per pupil spending of the three states: $6,165, compared to $5,748 for New Mexico and $5,033 for Arizona. From 1999-2000 to 2005-2006, Colorado increased per pupil spending by 31 percent to $8,057, New Mexico's increase in per pupil spending was greater than in Colorado, even though Colorado is a much wealthier state. New Mexico increased per pupil spending by 41 percent to $8,086, and Arizona increased per pupil spending by 29 percent to $6,472. Given this trend and the fact that Colorado has TABOR, it is likely that in the future Colorado's actual per pupil spending will start to lag further behind New Mexico's.

However, in other education measures Colorado did much worse than either Arizona or New Mexico:

- In Colorado, the high school dropout rate increased by an astonishing 123 percent in the three-year period from 2002-2005, while it decreased in both Arizona (-27 percent) and New Mexico (-11 percent). Colorado's high school dropout rate rose from 3.5 percent in 2002-2003 to 7.8 percent in 2004-2005. In contrast, Arizona's high school dropout rate decreased from 8.5 percent to 6.2 percent, and New Mexico's high school dropout rate decreased from 4.7 percent to 4.2 percent.

- In Colorado, state and local per capita spending on higher education dropped by 13 percent from 2000-2007. Higher education expenditures increased by 26 percent in Arizona and by 64 percent in New Mexico during this period. The actual per capita higher education expenditures by state are even more indicative of Colorado's lack of commitment to higher education. Colorado's state and local per capita higher education expenditures decreased from $164.43 to $143.59 from 2000-2007. During this same time, Arizona's per capital spending increased from $223.31 to $280.76, and New Mexico's increased from $317.94 to $521.48.

The likely consequence of reducing state expenditures on K-12 education is that students will be more poorly educated and therefore less prepared for the workforce. They will either be unemployable or earn low wages. The likely consequence of reducing state expenditures on higher education is that more students will be excluded from attending college. A future study might examine the path by which education expenditures affect child poverty, and test whether reducing expenditures results in a higher high school dropout rate, lower wages, lower rates of college attendance, etc.

More generally, Colorado state spending on three broad categories of benefit programs – medical assistance, social services and cash assistance – declined radically from 1995-2005, particularly on cash assistance. As Table 10 shows, Colorado's increase in poverty is paralleled by the state's decline in spending.[56]

In contrast, New Mexico increased spending in all three areas, with an astonishing 347.4 percent increase in spending on medical assistance and a 76.8 percent in social services. This may be a potent explanation for the state's decrease in child poverty. Arizona, which saw a much smaller increase in child poverty than Colorado, increased spending on medical assistance by 98.5 percent and on social services by 22.9 percent; however, state spending on cash assistance programs decreased by 62.0 percent.

[56] Although the time frames for the poverty and benefits program data are not entirely consistent, the trends are clear: as Colorado's spending on benefit programs decreased, the child poverty rate increased.

Table 10: Comparison by State: Change in Child Poverty Rate and Change in Spending on Benefit Programs					
State	**Change in Child Poverty, 100 Percent FPL, 2000-2007**	**Change in Child Poverty 200 Percent FPL, 2000-2007**	**Change in Spending on Medical Assistance, 1995-2005**	**Change in Spending on Social Services, 1995-2005**	**Change in Spending on Cash Assistance, 1995-2005**
Colorado	**84.6%**	**16.1%**	**-16.6%**	**-7.0%**	**-84.5%**
Arizona	**6.8%**	**19.5%**	**98.5%**	**22.9%**	**-62.0%**
New Mexico	**-6.1%**	**-8.1%**	**347.4%**	**76.8%**	**27.2%**

Conclusion

Colorado has taken some positive steps to mitigate some of the effects of the conflicting tangle of structural limits embedded in the state's fiscal policy. As noted earlier, in passing Referendum C in 2005, voters gave the state a "time-out" from TABOR's revenue limits and permanently modified the limit so as to remove the ratchet effect. The Legislature took a further step in passing S.B. 228, which eliminated the 6% restriction and ratchet effect that Arveschough-Bird imposed on the General Fund programs that comprise the state's efforts to prevent and ameliorate the effects of poverty. The state Supreme Court also provided some relief in a recent ruling in Mesa County Board of Commissioners v State of Colorado. The primary effect of the decision was to uphold some recent changes to the school finance system. In doing so, however, the Court offered an interpretation of TABOR that allows the Legislature to raise revenues by modifying provisions of the tax code that provide exemptions or credits, so long as the effect is not to exceed TABOR limits for the year.[57]

Despite these steps, prospects for Colorado to increase its revenues and spending and to improve its position in the fifty-state rankings are low. The Bell Policy Center, the Colorado Children's Campaign, and the Colorado Fiscal Policy Center have been collaborating on research examining the state budget. In their first Looking Forward report issued in 2007, they looked at the first three years following the TABOR reprieve and concluded that "Referendum C has allowed the state to retain more than $1 billion in revenues each year. Even so, most major state programs have not returned to the levels of service attained immediately prior to the 2001-03 downturn."[58] The report contained a "current services" general fund budget projection, determining the level of revenues that could be expected given current law and the amount the state would need to spend to maintain current levels of service given expected inflation and growth in the size of the population served by each program.[59] A newly issued update now concludes that "2007 may well become a high point that will stand out more and more starkly as representing the 'good old days' ….as levels of service from major state programs are likely to continue to decline over the next four years." The basic problem is that "amounts necessary to maintain 2007 levels of service are likely to grow at roughly the pace of the overall economy" but "general fund revenues will continue to shrink as a percentage of the overall economy."[60]

Other states are also struggling with the economic downturn and revenue projections that will make it difficult to maintain current service levels. These states, however, started with a stronger package of services than did Colorado, and their fiscal systems offer greater flexibility to fashion a response that includes revenue increases as well spending cuts.

The recent stunning increase in child poverty in Colorado may be the canary in the coal mine for the state. The state's tax and expenditure limitation, TABOR, likely had a substantial effect on Colorado's ability to collect revenue at a pace equivalent to the rest of the country. This in turn affects our ability to spend on public programs shown to have an impact on the well-being of children and families, and in fact our spending on these programs is not keeping pace with our needs. We cannot claim that TABOR caused the recent increase in child poverty, although it may well have contributed to it. However, we can certainly say that it challenges our ability to ameliorate the effects of poverty and to prevent child poverty in the future, and to make life better for the increasing numbers of children who are living in poverty in Colorado right now.

[57] Mesa County Board of County Commissioners v. State of Colorado, No. 08SA216, p. 24 (Colo., March 16, 2009)
[58] The Bell Policy Center, Colorado Children's Campaign and Colorado Fiscal Policy Institute (2007). "Looking Forward: Colorado's Fiscal Prospects after Ref C," p. 1
[59] Looking Forward, p. 1
[60] The Bell Policy Center, Colorado Children's Campaign and Colorado Fiscal Policy Institute (2009). "Looking Forward: Colorado's Fiscal Prospects Amid a Financial Crisis." pp. 1-2.

Characteristics of State-Level Tax and Expenditure Limitations[61]

State	Revenue Limit?	Spending Limit?	Constitutional or Statutory?	Major Features
Alaska		Y	C	Cap on appropriations grows annually by the increase in state population and inflation
Arizona		Y	C	Appropriations cannot exceed 7.41% of total state personal income
California		Y	C	Appropriation increases are limited to the growth in state population and per capita state income
Colorado	Y	Y	C and S	General fund appropriations are limited to 5% of total state personal income or 6% over the previous year's appropriations, whichever is less. Most revenues are limited to state population growth plus inflation. Changes to spending limits or tax increases must receive voter approval.
Connecticut		Y	S	Spending is limited to the average growth in state personal income during the previous five years or the previous year's increase in inflation, whichever is greater.
Delaware		Y	C	Appropriations are limited to 98% of the revenue estimate
Florida	Y		C	Revenue is limited to the average growth rate in state personal income during the previous five years
Hawaii		Y	C	General fund spending must be less than the average growth in state personal income during the previous three years
Idaho		Y	S	General fund appropriations cannot exceed 5.33% of total state personal income as estimated by the State Tax Commission. One-time expenditures are exempt.
Indiana		Y	S	State spending each fiscal year is capped with growth set according to formula for each biennial period
Iowa		Y	S	Appropriations are limited to 99% of the adjusted revenue estimate.
Louisiana		Y	C	Spending is limited to the 1992 appropriations level plus the annual growth in state per capita personal income
Maine		Y	S	Spending increases are limited to a 10-year average of state personal income growth or a maximum of 2.75%. Formulas are based on state tax burden rankings.
Massachusetts	Y		S	Revenue cannot exceed the 3-year average growth in state wages and salaries (amended in 2002 adding definitions for a limit that would be tied to inflation in government purchasing plus 2 percent)
Michigan	Y		C	Revenue is limited to 1% over 9.49% of the previous year's state personal income
Mississippi		Y	S	Appropriations are limited to 98% of the projected revenue. The limit can be amended by a majority vote of the legislature.

[61] Constructed from Bae and Gais, supra note 9.

State	Revenue Limit?	Spending Limit?	Constitutional or Statutory?	Major Features
Missouri	Y		C	Revenue is limited to 5.64% of the previous year's total state personal income. Voter approval is required for increases over approximately $77 million or 1% of state revenues, whichever is less.
Montana		Y	S	Spending is limited to a growth index based on state personal income
Nevada		Y	S	Proposed expenditures are limited to the biennial percentage growth in state population and inflation
New Jersey		Y	S	Expenditures are limited to the growth in state personal income
North Carolina		Y	S	Spending is limited to 7% or less of total state personal income.
Oklahoma		Y	C	Expenditures are limited to 12% of annual growth adjusted for inflation. Appropriations are limited to 95% of certified revenue.
Oregon	Y	Y	C and S	Any general fund revenue in excess of 2% of the revenue estimate must be refunded to taxpayers. Appropriation increases are limited to 8% of the projected biennial state personal income.
Rhode Island		Y	C	Appropriations are limited to 98% of projected revenue (becomes 97% in 2012)
South Carolina		Y	C	Spending increases are limited by the average growth in state personal income or 9.5% of state personal income for the previous year, whichever is greater. The number of state employees is limited to a ratio of state population.
Tennessee		Y	C	Appropriations are limited to the growth in state personal income
Texas		Y	C	Biennial appropriations are limited to the growth in state personal income
Utah		Y	S	Spending increases are limited by inflation and a formula that includes growth in population
Washington		Y	S	Spending is limited to the average of inflation for the previous three years plus state population growth
Wisconsin		Y	S	Spending on qualified appropriations (some exclusions) is limited to the state personal income growth rate

In addition, in most states with TELs, revenues over and above revenue and/or spending limits may be allocated to emergency funds or budget stabilization ("rainy day") funds, or to debt reduction. TABOR requires excess revenues to be refunded directly to taxpayers, a provision that was halted by Referendum C but will be in full force and effect again in 2011.[62] Thus, except for stopgap measures like Referendum C, there is no way for the state to capture excess funds in good times in order to be prepared for economic downturns.

[62] Bae and Suhr, supra

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