

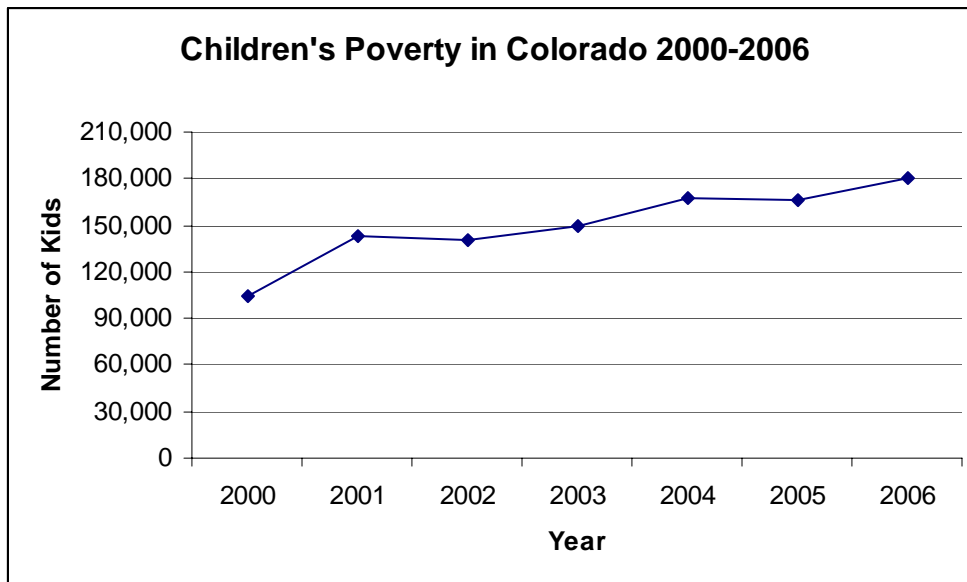


# Childhood Poverty in Colorado

## Executive Summary

In 2006, almost 76,000 more Colorado children were living in poverty than in 2000, with the number of children living in poverty increasing from about 104,000 in 2000 to about 180,000 in 2006 (see Figure 1). This represents a 73 percent increase, the largest increase rate in the country for the same period and a disturbing trend that inevitably prompts serious questions and even more serious concerns.

**Figure 1.**



In an effort to further explore the data presented in the *2008 KidsCount in Colorado!*, this paper provides greater detail on the “why, who, where and what now?” questions raised by this trend. Detailed data on immigration, population growth, poverty data by race and ethnicity, economic data, and county-level analyses are included, as well as a preliminary discussion of potential policy implications.

The social, educational, and physical outcomes for children in poverty are profound. Poverty, especially childhood poverty, affects all aspects of our community, including the job market, social services, family structure, educational attainment, crime, and health, to name just a few.

Using these data to develop potential solutions can help us better understand the nature and scope of the problem, and where to best target our efforts and resources.

## Understanding the Complexity of the Trend

It is critical to note that because many of the factors that help drive poverty are associated with one another, it is impossible to isolate any one of them as the focus of blame. The increase in poverty is not simply due to changes in the ethnic or racial make-up of the state's citizens; the patterns in family structure; parent's education; or the jobs available in their community. In other words, even if one attempted to isolate the number of children living in immigrant families and ignore that population in the calculations, Colorado would still be among the worst states in the nation in terms of the poverty increase.

While hope for a simple explanation and therefore solution is understandable, the reality is that the cause of Colorado's dramatic increase in the number of children living in poverty is complex. There is no single factor responsible for even "most" of the increase. Instead, there are trends in several indicators that are likely affecting the overall number. For example, the state's demographics are changing. An increasing proportion of the state's population is Hispanic. Because these Hispanic children can be two-and-a-half times more likely than their non-Hispanic counterparts to live in poverty, the total number of children in poverty is likely to increase as the proportion of Hispanic children in Colorado increases.

Immigration also plays a role, though it is not the key factor in the increase. The proportion of our children living in immigrant families, where at least one parent was not born in the United States, has stayed relatively constant since 2000, while the percent of children in poverty has increased dramatically.

Trends that are likely contributing to the increase in the number of children in poverty include changes in the following factors:

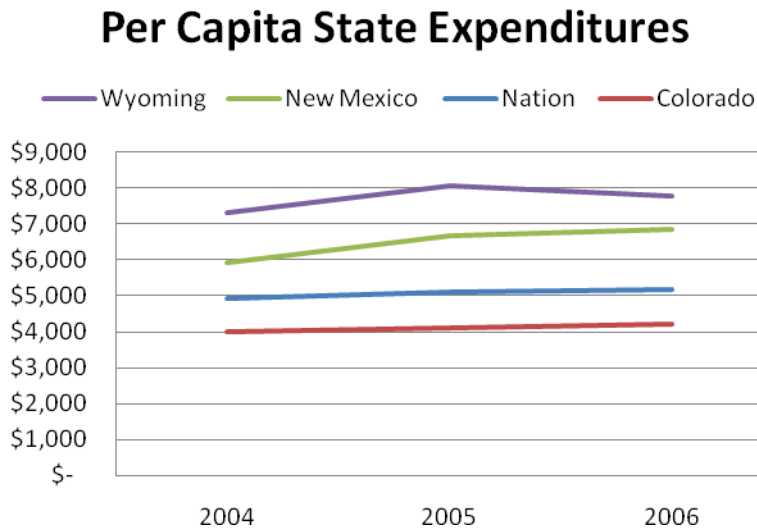
- The ethnic and racial make-up of the state's population;
- The number of students who drop out of high school, or who do not acquire enough education to earn a good living;
- The number of children living in single-parent households, as well as the number of children born to teen mothers; and
- The availability of well-paying jobs for low-skilled workers.

As we know, many of these factors are closely associated. Young black and Hispanic people are much more likely to drop out of high school or get no education beyond high school if they do graduate. Young women from all ethnic and racial backgrounds who drop out of high school are more likely to give birth

in their teens than their peers who finish high school. And the counties with the largest increase in the numbers of children in poverty (large urban districts like Denver, Adams and Arapahoe counties) also have changing economies, where good paying jobs for low-skilled workers are becoming increasingly rare.

Just as there is no single explanation for the cause of the increase, there is also no single answer to solving the problem. What we do know is that in Colorado, a complicated and restrictive set of constitutional and statutory limits on revenue and spending exacerbate the effects of poverty. In 2006, per capita state expenditures in Colorado were nearly \$1,000 less than the national average, \$2,600 less than in New Mexico, and \$3,500 less than in Wyoming<sup>1</sup> (see Figure 2). While these two neighboring states have actually reduced the number of their children living in poverty between 2000 and 2006, Colorado's rates consistently increased.

**Figure 2.**



The good news is that it is possible to do better. And a more nuanced understanding of this data is an important place to begin to design policies and strategies to reduce poverty among children and to minimize its harmful effects on their lives.

<sup>1</sup> U.S. Census Bureau, American Community Survey and State and Local Government Finances.

## Understanding the Data

The data for the analyses contained in this paper come from the U.S. Census Bureau American Community Supplemental Survey (ACSS) 2000-2001 and the American Community Survey (ACS) 2002-2006. These rich data sets provide annual population estimates by age, race, poverty status, and ethnicity. These surveys were used rather than the enumeration data collected by the decennial census because they are yearly surveys that are more reliable in estimating poverty and ethnic group populations.<sup>2</sup>

The ACS is designed to provide annually updated data on the characteristics of population and housing. In 2005, the ACS became the largest household survey in the United States, with an annual sample size of about 3 million households. The surveys for 2000 through 2004 provide data for Colorado and counties with more than 250,000 people. Since 2005, the ACS has released single-year estimates for geographic areas with populations of 65,000 or more. This limits some of the available data to statewide estimates and numbers for Colorado's largest counties: Adams, Arapahoe, Denver, Boulder, El Paso, and Jefferson.

The precision of these figures varies depending on the year, the question, and the size of the geographic area being surveyed. The statewide estimates for the total number of children, children in poverty, and children in different ethnic categories are more precise than the estimates for individual counties. At-risk children are more often undercounted than other groups of children.<sup>3</sup> Furthermore, we are better at estimating poverty and population in 2006 than in 2000 due to increased sample size. Despite this variation, on balance people in Colorado should be confident they can act on this data knowing that it is an accurate picture of the condition of the state and its children.

### *Understanding the Federal Poverty Level*

The measure used by the federal government to identify who is in poverty is known as the federal poverty level, or FPL. The FPL is based on income alone and the threshold of poverty changes with a family's size. The FPL is set at three times the cost of food for a family of a particular size. It is adjusted each year on a national scale to account for inflation. The figures used to establish Colorado's increase in poverty are the same adjusted measures of FPL used in all 50 states, so any change in the measure would affect all states equally. Colorado's rapid increase in poverty reflects something different going on in the state rather than an artifact of the changing federal measure of poverty.

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<sup>2</sup> Peters, Alan and Heather MacDonald. Unlocking the Census with GIS. Redlands: Environmental Systems Research Institute, 2004.

<sup>3</sup> Peters, Alan and Heather MacDonald. Unlocking the Census with GIS. Redlands: Environmental Systems Research Institute, 2004.

With the FPL as the threshold, the number of children in poverty in Colorado increased from approximately 104,000 children in 2000 to more than 180,000 children by 2006. This represents a 73 percent increase in the number of children in poverty in Colorado. This is more than 25 percent worse than the next worst state, New Hampshire, at 47 percent.

Family expenses such as child care, fuel, or housing have a tremendous impact on families living near the poverty level. In fact, these are very important factors to consider when examining the costs of supporting a family under tough economic conditions. However, these variables have no direct impact on the FPL measure or the numbers of children in poverty identified by the U.S. Census Bureau. The numbers of poor kids captured in these statistics are based on *income alone*. Therefore, the causes of our growth in children living in poverty as measured by the U.S. Census are due to the changes in the income of families in Colorado. More families (with almost 76,000 more children since 2000) are making less money than it requires to reach the FPL each year (an income of \$20,000 for a family of four in 2006) in order to be counted as living in poverty by the federal government.

### **Data Accuracy**

All of the data used in these analyses are estimates provided by the American Community Survey. As with all surveys, these estimates contain sampling errors that make the data less than perfect. In any survey the size of the potential error changes with the number of people surveyed. The more people surveyed, the better the estimate. The statewide estimates used here have an average sample size of about 16,400.<sup>4</sup>

The Census Bureau uses a margin of error to define the range of values that may contain the true population value. By adding and subtracting the margin of error from the point estimate, you produce the range around it, called the confidence interval.

The Census provides values for a 90 percent confidence level. In other words, a census statistic will report that Colorado had 15.7 percent of its children living in poverty in 2006. The 90 percent confidence interval associated with this particular figure is plus or minus .8 percent. This means that there is a 90 percent chance that the real percent of children in poverty in Colorado at that time fell somewhere between 14.9 percent and 16.5 percent (15.7 +/- 0.8). Similar confidence intervals surround all other figures used in this analysis.

County level data has smaller population sizes so the estimate for children in poverty is not as precise as at the state level. The margin of error increases as the size of the population decreases. For example, the margin of error for Denver county children in poverty is plus or minus 4 percent, or 29.4% +/- 4.0.

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<sup>4</sup> “Accuracy of the Data 2006” American Community Survey.

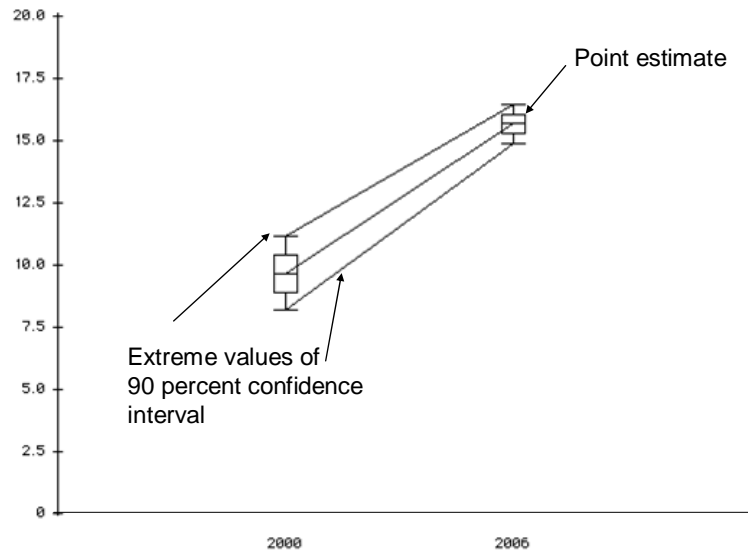
The following chart (Table 1) and graph (Figure 3) provide the margin of error for the state and for each of the six counties used in the analysis. Keep in mind that the margin of error is much greater for these smaller populations than for the statewide estimate.

**Table 1. Children in Poverty: Percent Estimates and Margin of Error**

<b>State/County</b>	<b>2000 Percent Children in Poverty</b>	<b>2000 Margin of Error</b>	<b>2006 Percent Children in Poverty</b>	<b>2006 Margin of Error</b>
<b>Colorado</b>	9.2	+/-1.5	15.7	+/- .8
<b>Adams</b>	5.6	+/-3.5	17.9	+/-3.4
<b>Arapahoe</b>	4.1	+/-2.5	15.3	+/-2.7
<b>Boulder</b>	5.6	+/-3.5	11.2	+/-2.5
<b>Denver</b>	14.9	+/-6.6	29.4	+/-4.0
<b>El Paso</b>	10.9	+/-4.3	11.1	+/-2.2
<b>Jefferson</b>	5.8	+/-2.8	9.1	+/-2.1

Figure 3.

### Children's Poverty in Colorado with Confidence Intervals<sup>5</sup>



These figures indicate that the U.S. Census figures reporting the statewide change in the percent of children in poverty are extremely unlikely to be a result of a random error in sampling. There is a more than 90 percent likelihood that these survey results represent a major and significant change in the lives of Colorado's children. The figures for the counties with the largest changes (Adams, Arapahoe and Denver counties) are also well beyond the range that could potentially be explained by random error in the survey sample. The next three biggest counties (Boulder, El Paso, and Jefferson counties) technically have changes that could be explained by the errors in the margin of error of the sampling methodology, but the change in these counties is most likely also the result of real change on the ground.

<sup>5</sup> This graph illustrates the confidence intervals of our data estimates. The top and bottom lines extending from the box represent the minimum and maximum estimates. The range from the minimum to the maximum illustrate the area in which the true population lies. The smaller the range, the more accurate the measurement and the more confident we are in the estimate. The confidence intervals are a function of the sample size and automatically decrease when the sample size increase. Therefore, at the county level, when the sample size is smaller, we are less confident in our measures.

## Poverty: The Increase by Numbers

The total child population under 18 has increased since 2000 by 6 percent (See Table 2) while the number of children in poverty increased 73 percent.<sup>6</sup> During this period, the total number of children only increased by 63,000, whereas we experienced an increase of 76,000 children in poverty. This means that Colorado's growth in children in poverty cannot be explained by overall population growth alone. The change in the number of children in poverty over time is basically a function of three possible events:

1. Children in families that had made more than the FPL start earning less, moving the family into poverty;
2. Children who are already in poverty move to the state with their families; and
3. New children are born into poverty, and the rate of children born into poverty is greater than the rate at which older children that were not in poverty grow into adults.

The true causes are obviously a combination of all three events.

If the 63,000 additional children in the state experienced poverty as often as the statewide average, we would expect about 11,000 of these new children to be in families in poverty. This also would mean that approximately 65,000 children that already lived in Colorado were in families that went from making something more than the FPL in 2000, to making less than the FPL in 2006. Or alternatively, between 2000 and 2006, as 65,000 children that were from families making more than the poverty line reached their 19<sup>th</sup> birthday, these "former children" were replaced by 65,000 new babies born into families making less than the FPL.

**Table 2. Population and Poverty Raw Numbers**

Year	Child Population (Under 18)	Children in Poverty (Under 18)
2000	1,106,059	104,000
2001	1,124,483	143,000
2002	1,136,499	141,000
2003	1,141,412	149,000
2004	1,145,691	167,000

<sup>6</sup> Annie E. Casey Foundation, 2000 through 2006 data for the United States and each State: Population Division, U.S. Census Bureau. "State Single Year of Age and Sex Population Estimates: April 1, 2000 to July 1, 2006," Vintage 2006. Located online at <http://www.census.gov/popest/datasets.html>.

Note: the data used here does not match the KidsCount. The Colorado State Demography Office numbers (used in KidsCount) are slightly larger claiming a 9 percent increase in the child population over the same time period. The 6 percent number from ACS is used in this document to keep the data set consistent throughout.

<b>2005</b>	1,153,869	166,000
<b>2006</b>	1,169,301	180,000
<b>Number Change</b>	63,242	76,000
<b>Percent Change</b>	6%	73%

### Levels of Poverty

There are several different levels of poverty as defined by the U.S. Census. All of these levels are based on FPL. The number of children in each level of poverty is calculated by the Population Reference Bureau. Even more alarming than the 73 percent of our children living at or below 100 percent FPL, is the number of Colorado children in extreme poverty, or 50 percent FPL (in 2006, approximately \$10,000 for a family of four.) This is our state's fastest growing sector of children in poverty. Table 3 below provides numbers for all of these levels each year with the percent change since 2000.<sup>7</sup>

**Table 3. Federal Poverty Levels and Numbers of Children 2000-2006**

<u>Poverty Level (in FPL)</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Diff</u>	<u>% Change</u>
<u>50%</u>	38000	68000	61000	63000	86000	75000	82000	44000	116
<u>51-100%</u>	66000	75000	80000	86000	81000	91000	98000	32000	48
<u>101-150%</u>	123000	96000	113000	98000	94000	114000	118000	-5000	-4
<u>151-200%</u>	128000	112000	98000	109000	114000	123000	114000	-14000	-11
<u>201-250%</u>	119000	120000	124000	121000	121000	100000	104000	-15000	-13
<u>Above 250%</u>	632059	653483	660499	664412	649691	650869	653301	21242	3

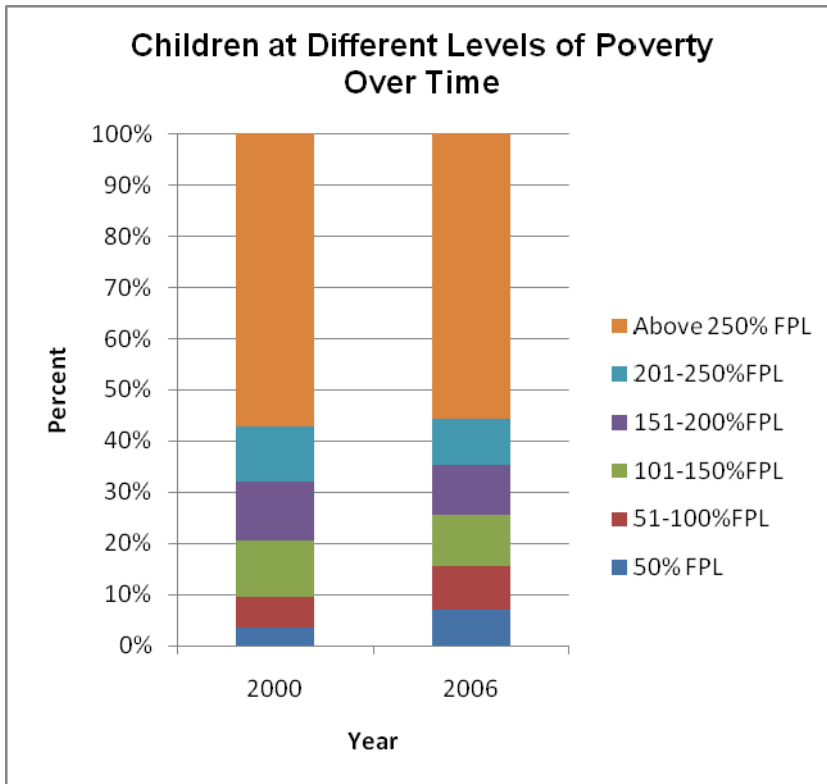
In interpreting the table above, it is important to realize that the FPL is an extremely conservative measure of poverty. The federal government defines children as at risk of educational failure because of poverty if their families earn less than 185 percent of the FPL. Other analysts, taking into account all the costs that families face, define self-sufficiency for a family at an income that is a little more than 200 percent of the FPL.

Keeping these standards in mind, the table above and the graph below indicate that the increase in children in extreme poverty is coming from a disturbing shift in the population's earning power. When we control for modest 6 percent overall population growth, the number of children in relatively well-off families is holding steady or declining slightly; but the number of Colorado's poor is growing and becoming even poorer. We have fewer working-class families living in relatively "modest" poverty (who are surviving just over the FPL but still earning less than the self-sufficiency standard) while there are many more families falling into

<sup>7</sup> Annie E. Casey Foundation, Population Reference Bureau, analysis of data from the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey.

extreme poverty. There is little change among the families in the middle class or higher, but families earning less than a middle-class income are falling into deeper and deeper trouble.

**Figure 4. Distribution of Children in Poverty Across All Income Levels**

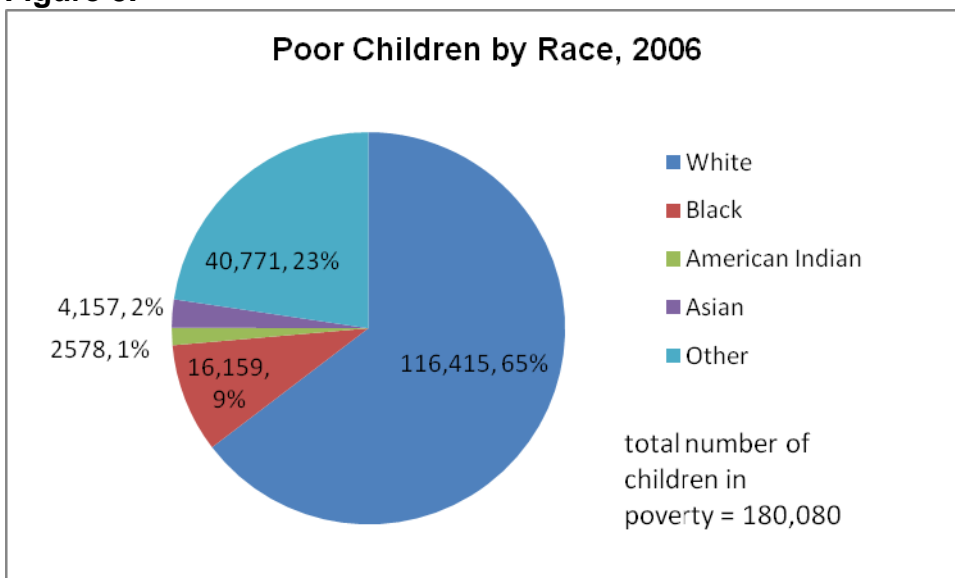


## BREAKING DOWN THE NUMBERS

### Race

Too many of Colorado's children, in all racial categories, are living in poverty. According to the data from 2000 and 2006, with the exception of Asian children, kids in all racial groups have increased their numbers in poverty at varying rates.<sup>8</sup> In Census data, race and ethnicity are tracked separately. Hispanic people are identified in the Census as an ethnic group, not a race. In the data on race, Hispanics could be included in any category. In the data on ethnicity, there are figures for Hispanics and non-Hispanics, as well as data on some indicators for Hispanics who are white, and Hispanics who are not white. It is inaccurate to treat race and ethnicity as a single concept when using U.S. Census data.

**Figure 5.**



Although the greatest numbers of children in poverty are white, including both Hispanic and non-Hispanic whites, children in other racial categories have a higher rate of poverty and are more likely to be poor than white children in Colorado. For example, black children are about two and a half times as likely to be in poverty as their white peers. All children in racial or ethnic groups other than white have higher rates of poverty than white children.

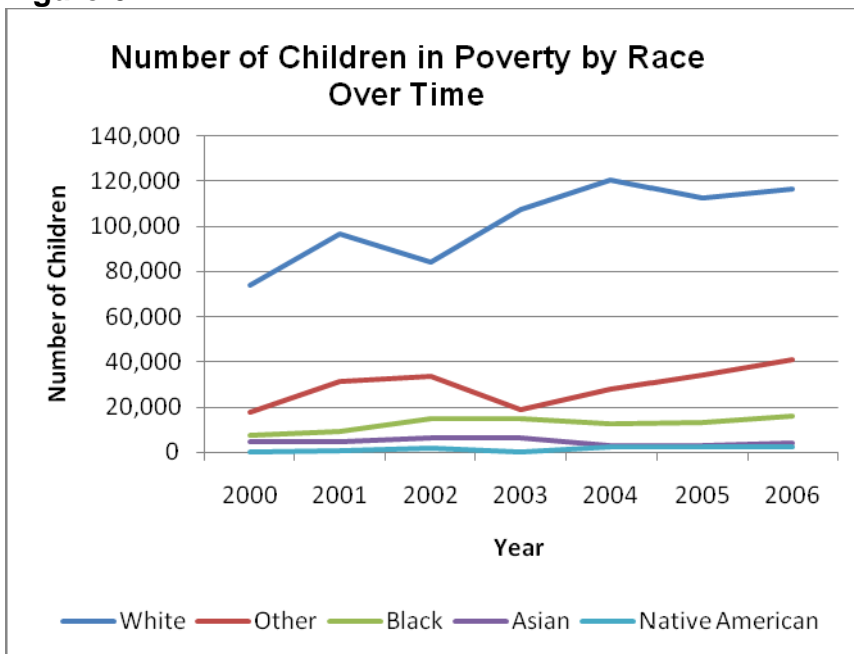
<sup>8</sup> U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey

Table 4 below shows the increase in the number of children in poverty in 2000 and 2006 by race.<sup>9</sup> Figure 6 presents the complete trend data for each year over that time. Significant increases in poverty were experienced by children of all races other than Asian children.

**Table 4. Children in Poverty by Race**

	2000	2006	Difference	% Change
<b>White</b>	74,115	116,415	42,300	57% increase
<b>Black</b>	7,495	16,159	8,664	116% increase
<b>American Indian</b>	450	2,578	2,128	473% increase
<b>Asian</b>	4,616	4,157	-459	-10% decrease
<b>Other</b>	17,538	40,771	23,233	132% increase
<b>State Total</b>	104,214	180,080	75,866	73% increase

**Figure 6.**



The percent of each racial group of children in poverty stays relatively the same over time, indicating that no one particular racial group explains the dramatic growth of children in poverty since 2000.

<sup>9</sup> U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey

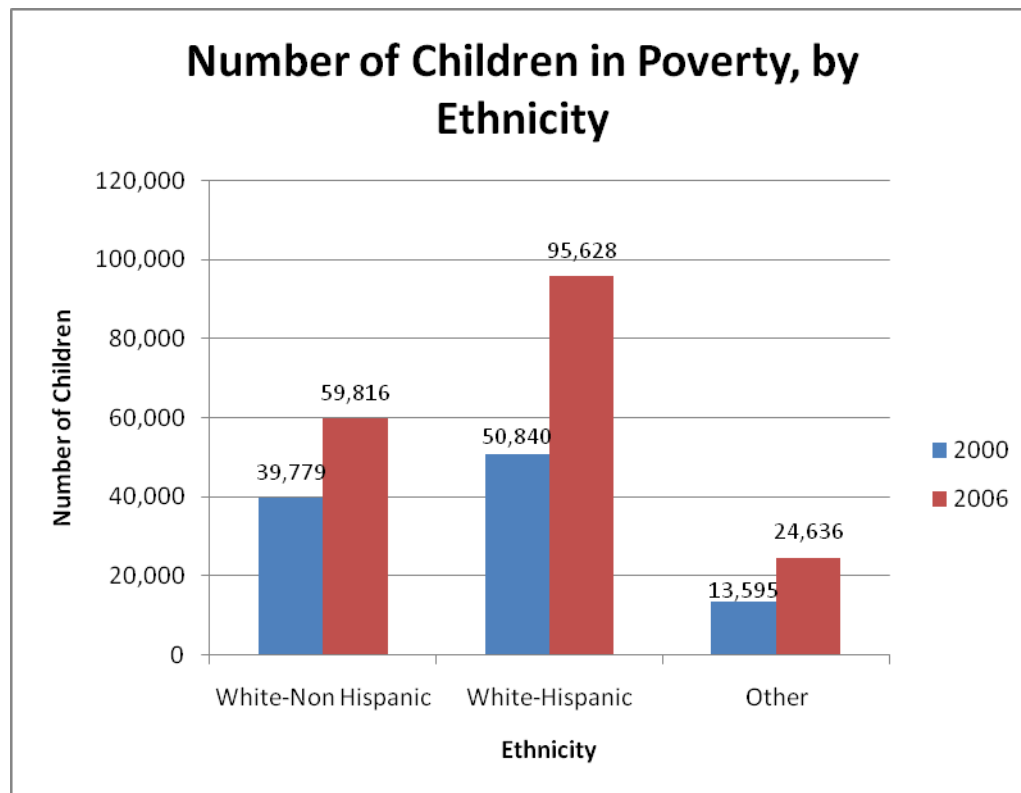
### Ethnicity

As we have said, the U.S. Census classifies ethnicity in a separate category from race. On the census survey form, people have the choice of selecting one or more attributes from the race and ethnic categories to identify themselves. “Hispanic” is considered an ethnic characteristic. As a result of this classification system, two additional indicators are included in the poverty data from the American Community Survey: white-Hispanic and white-non Hispanic.

According to the white-Hispanic/white-non-Hispanic data, we can see that both the categories of children have increased their number of children in poverty. The white-Hispanic children in poverty increased 88 percent and the white-non-Hispanic children increased 50 percent since 2000.<sup>10</sup>

In Colorado, we have a large and growing ethnically Hispanic population of children that make up 53 percent of all poor children. In 2006, 30 percent of all Hispanic children lived in poverty.

**Figure 7.**



<sup>10</sup> U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey

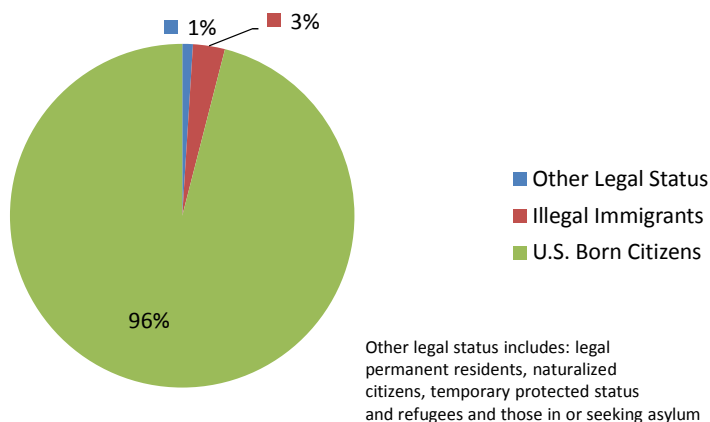
### **Children in Immigrant Families**

According to the American Community Survey, the child population in both total numbers and relative proportions between immigrant and non-immigrant families has stayed relatively consistent since 2000. Children in immigrant families include children who have one or two parents who were not born in the United States, or a child not born in the United States. This statistic is not a measure of citizenship or documentation status.<sup>11</sup>

According to analysis by the Pew Hispanic Center, using U.S. Census Bureau's Current Population Survey data for 2004<sup>12</sup>, between 200,000 and 250,000 immigrants live in Colorado. Between 30,000 and 40,000 of these are children. This means, as Figure 8 shows below, that about 3 percent of Colorado's children are undocumented, and another 1 percent of Colorado's children were born outside the United States, but have some other legal status. Clearly, some of Colorado's poor children are undocumented, and quite possibly this number has increased recently. But these numbers are not enough to explain Colorado's overall increase.

**Figure 8.**

### Percent of Colorado Children by Legal Status -- 2004



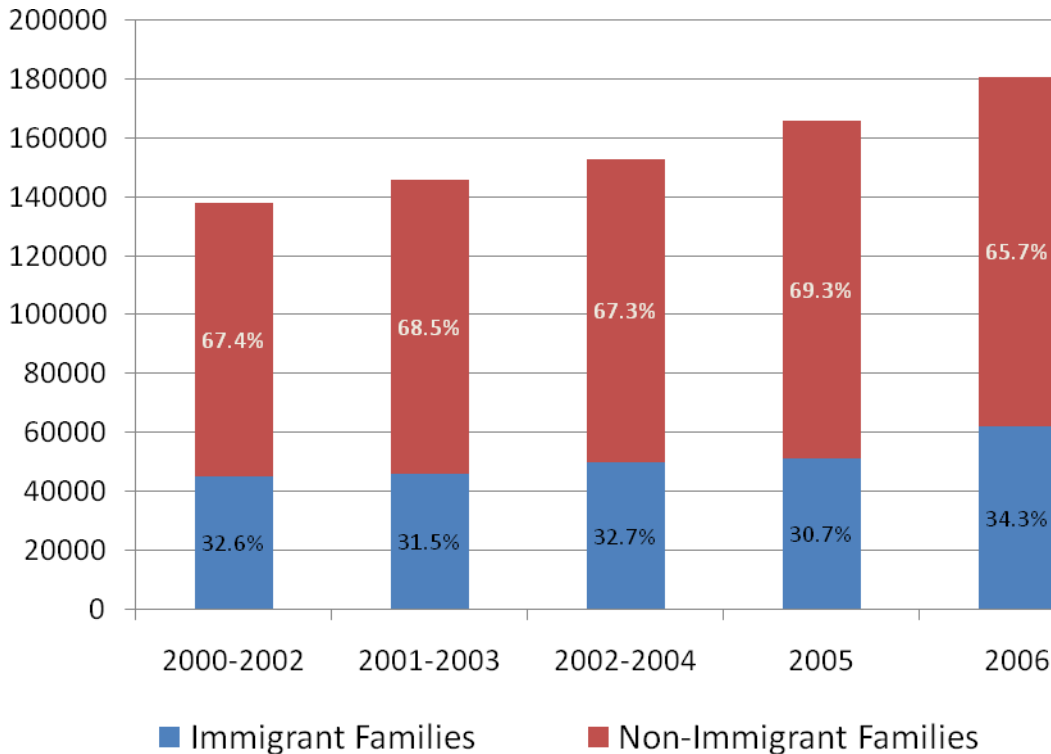
<sup>11</sup> This indicator represents the share of children under age 18 who are foreign-born or have at least one foreign-born parent. From the Annie E. Casey Foundation, based on data from a Population Reference Bureau analysis of the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey.

<sup>12</sup> Passell, Jeffery S. "Estimates of the Size and Characteristics of the Undocumented Population." Pew Hispanic Center, March 2005.

The numbers of children living in poverty for both children in immigrant families and those in non-immigrant families are rising. The number of children in poverty in immigrant families is estimated to have grown by 17,000 children, or 38 percent, since 2000. Similarly, the number of children in non-immigrant families has grown by 26,000 children, or 28 percent since 2000.<sup>13</sup> The relative proportion between children in immigrant and non-immigrant families, shown below in Figure 9, has remained relatively stable. This suggests that immigration alone is not the cause of Colorado’s trends for children in poverty.

Children living in immigrant families are more likely to be living in poverty than children in non-immigrant families. Thus, a relatively small increase in the proportion of children in immigrant families could have a larger impact on the proportion of all children in poverty than a similar increase in the total number of children in non-immigrant families. Children in immigrant families do not make up the greatest number of children in poverty.

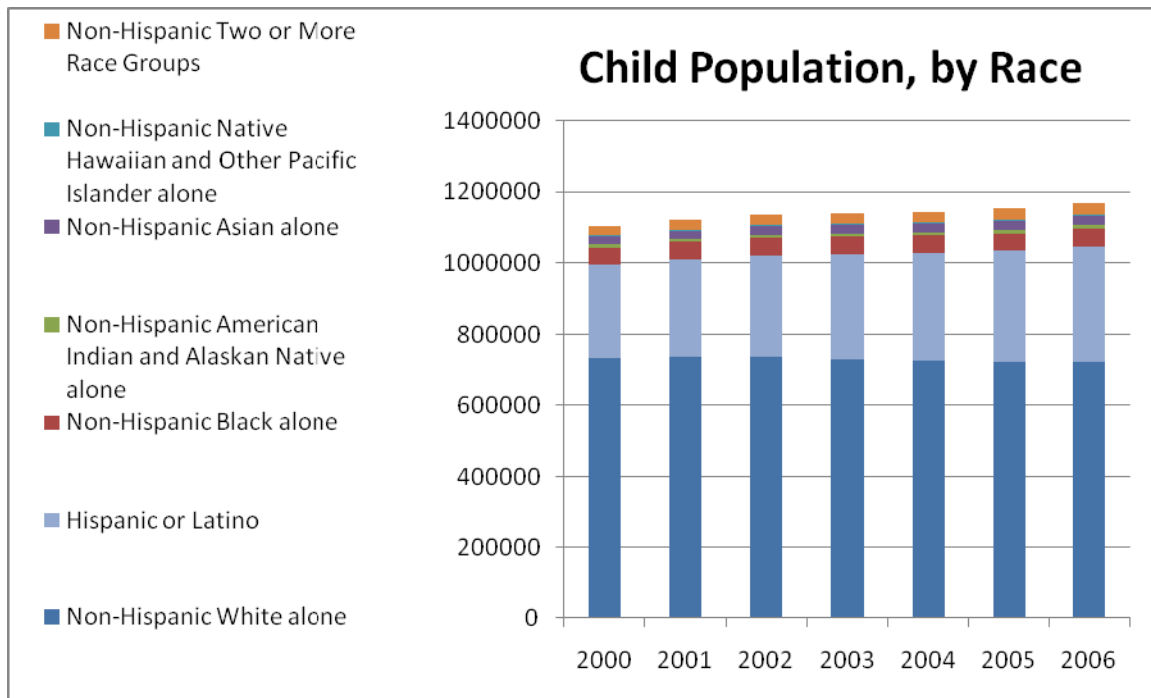
**Figure 9. Children in Poverty**



<sup>13</sup> Note that these calculations use three-year averages for the numbers from 2000-2004. The data during these years for this indicator are not reliable enough to use single-year estimates until 2005. This explains why the total numbers of children for the years 2000-2004 do not match the numbers used elsewhere in the analysis. From the Annie E. Casey Foundation, based on data from a Population Reference Bureau analysis of the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey.

## Birth Data/Population Growth

Figure 10.



In Figure 10 above, notice that the growth rate varies between different race/ethnic groups in Colorado. Non-Hispanic white children have decreased in numbers since 2000 while Hispanic or Latino children have increased by 24 percent.<sup>14</sup>

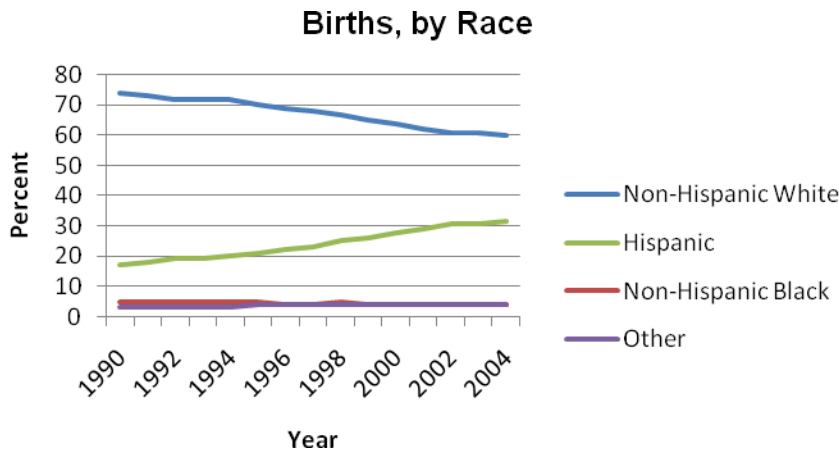
<sup>14</sup> Annie E. Casey Foundation, 2000 through 2006 data for the United States and each State: Population Division, U.S. Census Bureau. "State Single Year of Age and Sex Population Estimates: April 1, 2000 to July 1, 2006," Vintage 2006. Located online at <http://www.census.gov/popest/datasets.html>.

**Table 5. Population Growth in Raw Numbers and Percent Change**

	<b>Growth Since 2000</b>	<b>Percent Change Since 2000</b>
<b>Non-Hispanic White alone</b>	-10,426	-1%
<b>Non-Hispanic Black alone</b>	994	2%
<b>Non-Hispanic American Indian and Alaskan Native alone</b>	340	4%
<b>Non-Hispanic Asian alone</b>	4,865	20%
<b>Non-Hispanic Native Hawaiian and Other Pacific Islander alone</b>	45	4%
<b>Non-Hispanic Two or More Race Groups</b>	4,565	16%
<b>Hispanic or Latino</b>	62,859	24%

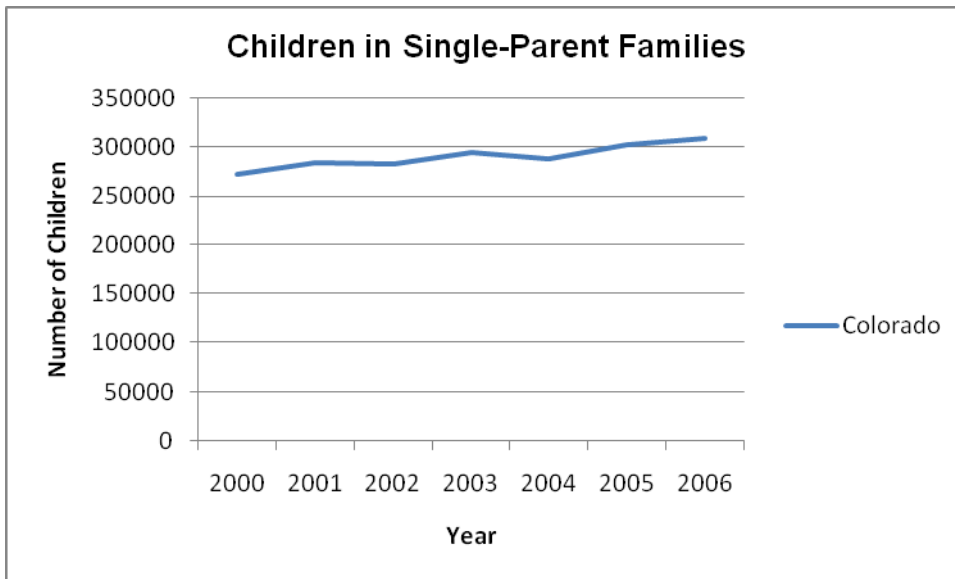
The population data in Table 5 above, understood in conjunction with the rate of poverty by race, will not only help us understand which children are poor but also what it means for Colorado's future growth. If 30 percent of Hispanic children live in poverty, compared to only 13 percent of white and Asian children, and Hispanic children are increasing in numbers while white children are declining in numbers, we are adding children to our overall number of children in poverty (see Figure 11). This is not to be misunderstood that all Hispanic children born in Colorado will be poor, but rather that 30 percent of them may be.

**Figure 11.**



### *Single-Parent Families*

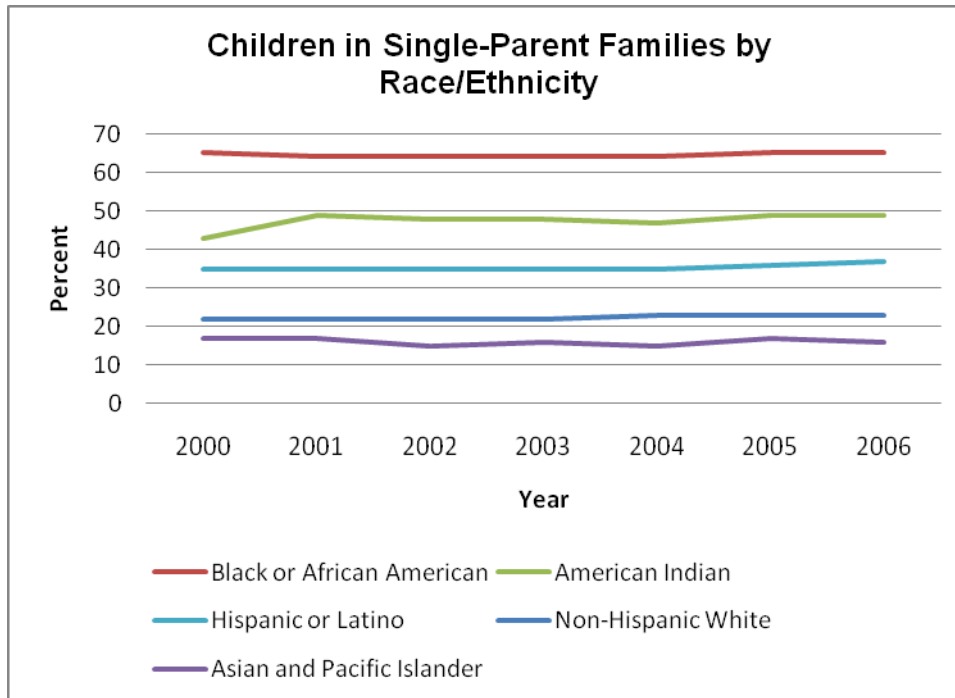
**Figure 12.**



The increase of children in single-parent families has an impact on families' poverty status (see Figure 12). A single-parent family is often a single-income family, which makes them more vulnerable to slipping down the poverty scale due to changes in income. If there is a loss of job, health problem, or child-care issues that affect employment, there is not another income to rely upon. Since

2000, Colorado children living in single-parent homes has increased by 13 percent, or an additional 36,000 children.<sup>15</sup>

**Figure 13.**



Black, American Indian, and Hispanic children live in single-parent families more often than non-Hispanic white or Asian children (see Figure 13).

### **County Trends**

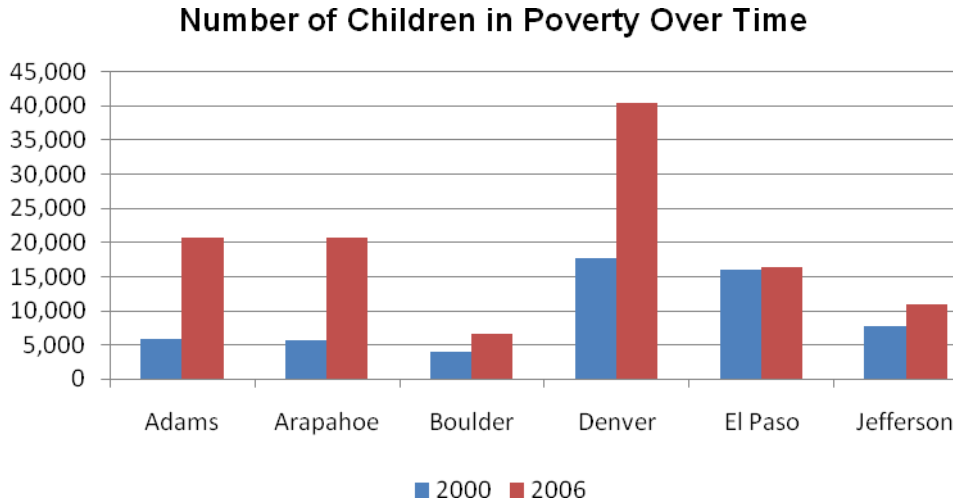
Colorado's 6 large counties - Denver, Arapahoe, Adams, Boulder, Denver, El Paso, and Jefferson - contain 75 percent of the growth in children in poverty since 2000. The percent change in the number of children in poverty by county is staggering for Adams, Arapahoe and Denver (see Figure 14).

Each of these counties increased their number of children in poverty by:

- 262 percent for Arapahoe;
- 255 percent for Adams;
- 128 percent for Denver;
- 71 percent for Boulder;
- 42 percent for Jefferson; and
- 2 percent for El Paso.

<sup>15</sup> Annie E. Casey Foundation, Population Reference Bureau, analysis of data from the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2006 American Community Survey.

**Figure 14.**

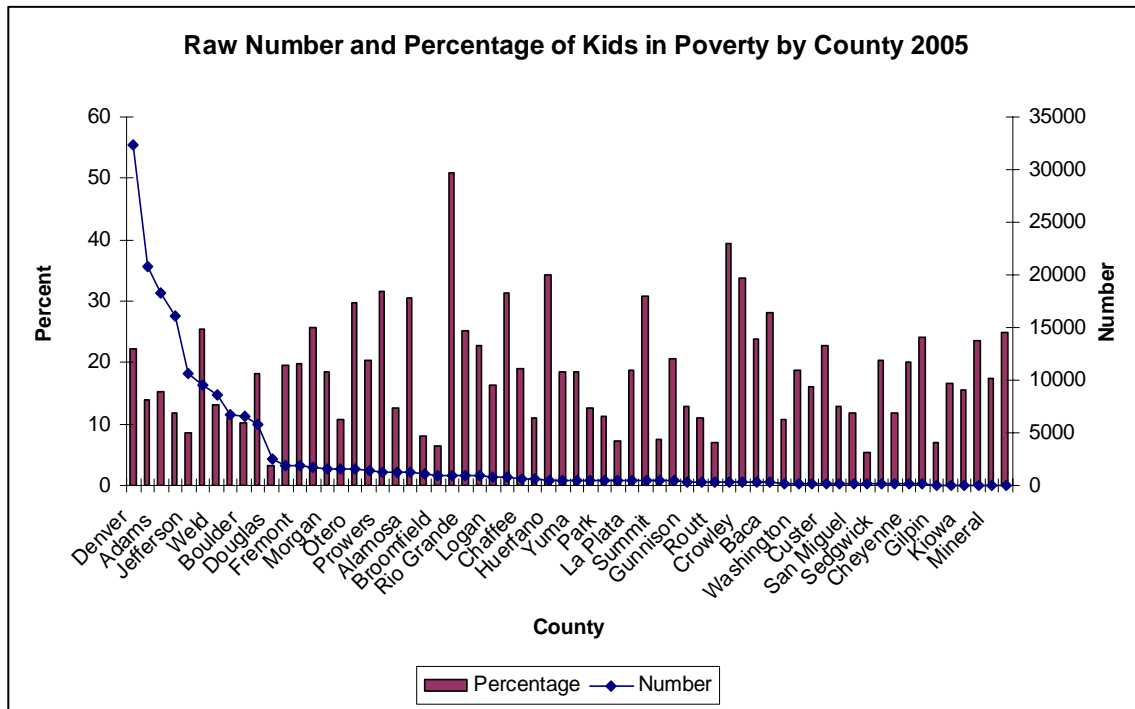


Many rural communities have higher percentages of children in poverty than do the urban/suburban counties, but have lower numbers of children in poverty because of their smaller total populations. Also, estimates show that many rural counties have decreased their percentage of children in poverty since 2000.<sup>16</sup>

The estimates for these smaller counties are not as precise as state estimates due to their low child population numbers. Also, the data available for all 64 Colorado counties is provided by the U.S. Census Bureau Small Area Income and Poverty Estimates (SAIPE), and is one year behind the *American Community Survey* data. In 2005, SAIPE began using the American Community Survey to compile the numbers for small areas. Before that time, the estimates were calculated from the Community Population Survey. As a result of this methodological change, the numbers from the SAIPE will not be consistent with the numbers from the American Community Survey until 2005 when SAIPE uses the same data set for its small area estimates.

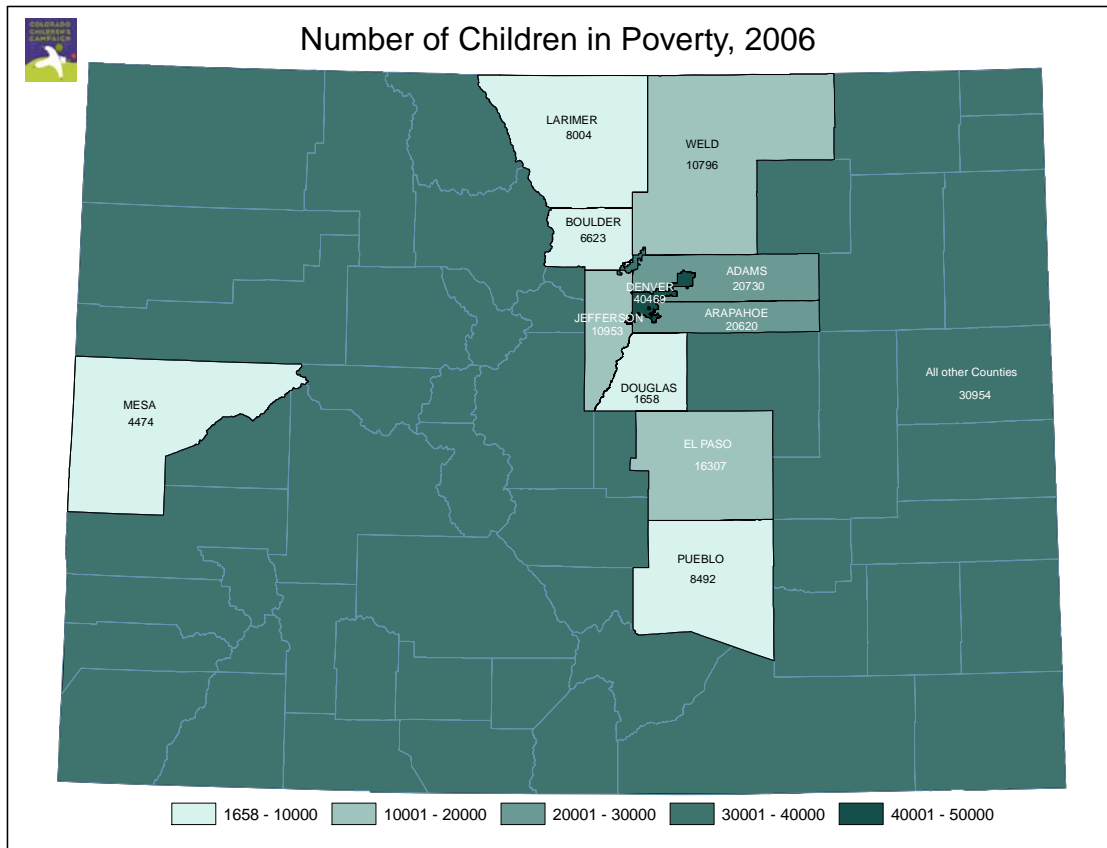
<sup>16</sup> U.S. Census Bureau, Small Area Income and Poverty Estimates, 2000-2005.

**Figure 15.**



Although Colorado’s large counties contribute greatly to the growth in children’s poverty since 2000, many rural communities are also experiencing high levels of poverty. Many counties such as Costilla, Huerfano and Crowley have large percentages (all above 33 percent) of their children in poverty (see Figure 15). Therefore, despite the fact that the total number of children in poverty in rural communities is low compared to larger communities, many suburban and rural areas are experiencing very high levels of children’s poverty that sometimes exceeds the poverty rate for larger counties. For example, 50.9 percent of children in the county of Saguache are impoverished; this equates to about 870 children. On the other hand, Douglas County, one of the largest counties in Colorado, had 2,547 children in poverty in 2005, yet this was only 3.2 percent of its child population. Therefore, when examining children’s poverty levels by county, it is important to take into account the total number of children living in a given county. Overall, rural areas should not be ignored simply because their contribution to the overall state’s poverty level is minimal. These smaller counties are experiencing very high levels of children’s poverty, a problem that may in fact be more severe in its impact on that community than in the larger counties.

Figure 16.



### ***Education Levels and Job Growth: The Colorado Paradox***

The number of children in poverty in Colorado is likely increased by “the Colorado Paradox.” The Colorado Paradox stems from the fact that while Colorado has one of the nation’s highest percentages of well-educated adults, many of the children who grow up here are not educated to those levels. So while Colorado is attracting highly educated people from other states to fill our high-skill/high-paying jobs, we are not educating many of our own children to the highest levels to fill these jobs. Colorado’s natural beauty and high quality of life makes it easy to attract high-skilled labor from a national labor pool. Meanwhile, too many of our own young people are not getting an adequate education to work in these same jobs.

A trend has emerged that illustrates the potential impact of the Colorado Paradox on the number of impoverished kids. In many counties, including Adams, Arapahoe, Denver, and Jefferson, the percentage of the population with less than a high school degree increased from 2000 to 2006. In contrast, the percentage

of adults employed in low-skilled jobs decreased. Therefore, adults in Colorado with little education are increasingly unable to obtain jobs that pay a livable wage. Overall, Colorado's unemployment rates have remained relatively stable from 2000 to 2006, so people are finding jobs - just not ones that pay enough to keep a family out of poverty. Meanwhile, the demand for high-skilled employees is on the rise. In all of Colorado's six largest counties, the demand for high-skilled positions has increase - yet again, the percentage of the population that is poorly educated has also increased. Because low-educated Coloradoans are unable to fill the high-skilled positions that are in higher demand, they are more likely to enter poverty.

For example, in Jefferson County (see Figure 18) there has been an increase in the percent of the population that has less than a high school degree, suggesting that a greater number of people living there are poorly educated and are consequently unable to obtain a high-paying job. In addition, the number of individuals employed in low-skilled positions has decreased, suggesting that there are fewer jobs available for this growing population of people who are poorly educated. Similarly, in Arapahoe County (see Figure 17), there has been a 2 percent increase in the number of citizens employed in a high-skilled position, while there has been a decrease of 0.5 percent in individuals employed in low-skilled positions. This combined with the fact that the percentage of the population with less than a high school degree has increased by 0.7 percent indicates that there is an uneducated population that cannot obtain or fulfill the demand for high-skilled labor and are thus not earning an adequate income.

It is possible that people are entering poverty because low-skilled jobs are scarce at the same time that there has been an increase in the number of poorly educated citizens. It is worth noting that these statistics cover the period ending in 2006, before the latest economic slow-down had even begun. Quite likely, an economic slow-down would exacerbate the trends described in this report.

Figure 17.

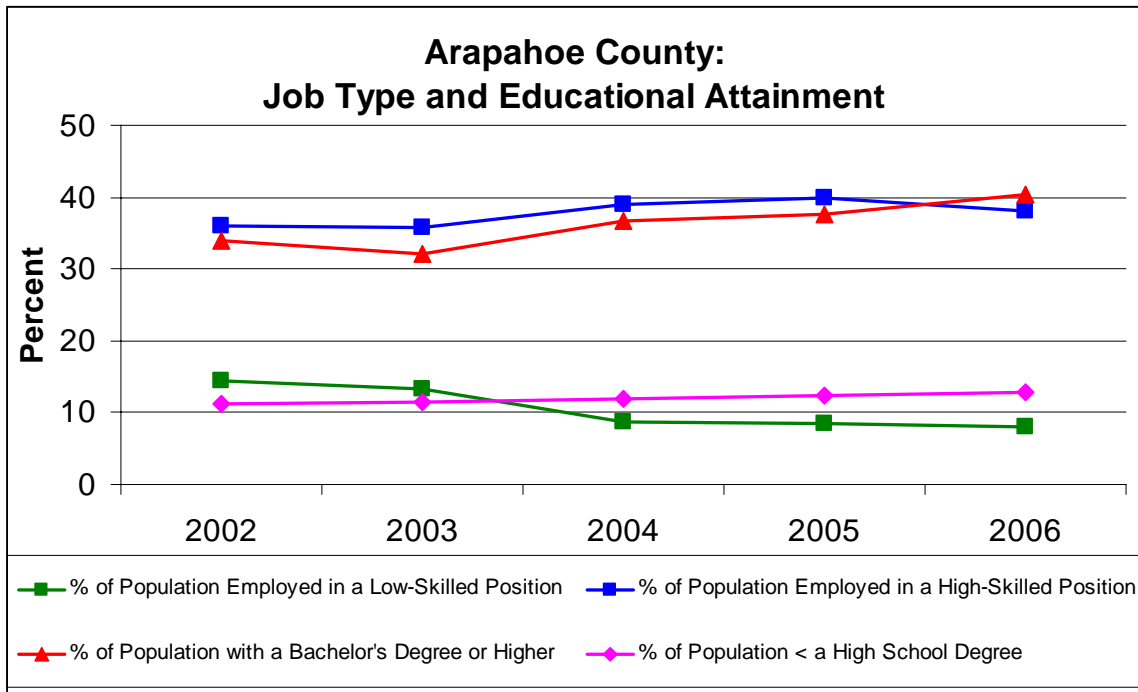
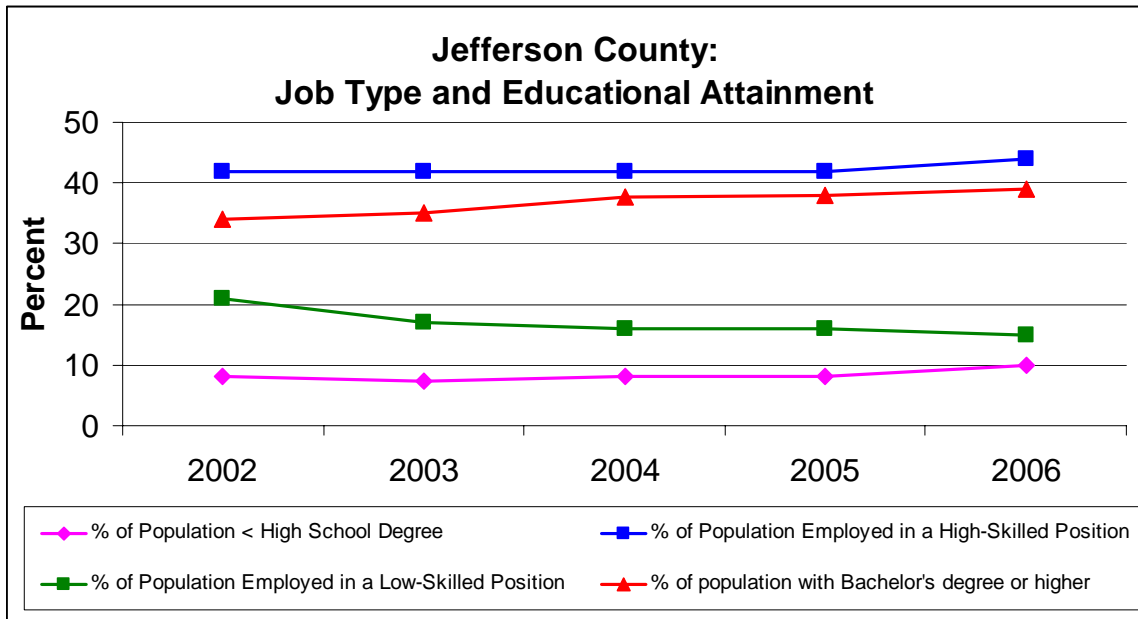


Figure 18.



## The Policy Landscape: Supporting Children and Families in Poverty

The number of children in poverty in Colorado and the state's ability to support these children and their families are affected by federal- and state-level action in the areas of state fiscal policy, K-12 education, early childhood education, and health care. The implications of these policies and programs for Colorado's poor children are discussed below.

### *Colorado's Fiscal Constraints*

In Colorado, a complicated and restrictive set of constitutional and statutory limits on revenue and spending exacerbate the effects of poverty. These limitations, such as the Taxpayers' Bill of Rights (TABOR) and the Arveschoug-Bird general fund spending allocation limitation, constrain the state's (and under TABOR, local governments') ability to make the public investments needed to ameliorate the effects of poverty. And, in some cases underinvestment in services such as K-12 and early education may directly contribute to increases in poverty.<sup>17</sup>

A recent study of state budget trends by the Colorado Children's Campaign, the Bell Policy Center and the Colorado Fiscal Policy Institute<sup>18</sup> found that the combined effects of these revenue and spending limitations will prevent state services from improving beyond current levels. Additional money for expanding educational services for at-risk students or health insurance coverage to more low-income children will simply not be available without changes in the state's fiscal system.

This same study found that since its inception, TABOR has shrunk the size of the state's general fund budget as a proportion of total personal income by about 11 percent. This means that state spending has not kept up with growth in Colorado's economy and demands for public services. What does this mean in terms of the quality of our state services? Colorado ranks 44<sup>th</sup> in the nation in total per capita state expenditures. Our investment in K-12 education ranks 34<sup>th</sup> and we are 48<sup>th</sup> in state support for higher education on a per capita basis. Colorado ranks equally poorly in health care spending for low-income families, ranking 47<sup>th</sup> in per capita expenditures for Medicaid and 32<sup>nd</sup> for the Child Health Plan Plus program.<sup>19</sup>

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<sup>17</sup> Under TABOR, the growth in state and local government revenues is limited to the annual increase in population and inflation, while under the Arveschoug-Bird law, growth in state general fund spending for core services such as education, health care and human services is limited to no more than 6 percent annually.

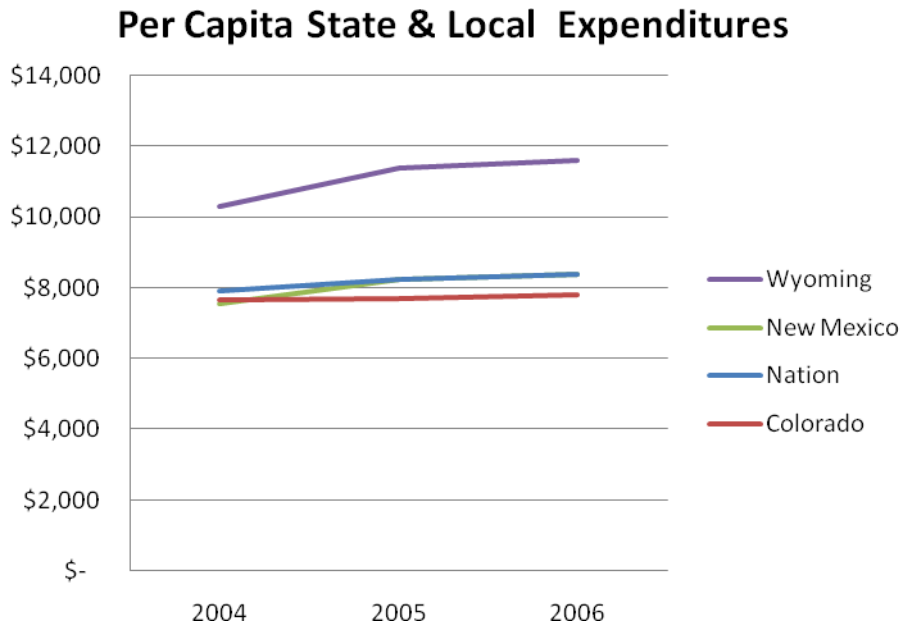
<sup>18</sup> The Bell Policy Center, Colorado Children's Campaign and Colorado Fiscal Policy Institute (2007). *Looking Forward: Colorado's Fiscal Prospects After Ref C*. Denver, CO: Authors.

<sup>19</sup> Hedges, Carol (2007). *Aiming for the Middle: Benchmarks for Colorado's Future*. Denver, CO: Colorado Fiscal Policy Institute.

Two of Colorado’s neighboring states, New Mexico and Wyoming, have been successful in raising the well-being of their children and families and have actually reduced the number of their children in poverty between 2000 and 2006.

In 2006, per capita state expenditures in Colorado were nearly \$1,000 less than the national average, \$2,600 less than in New Mexico, and \$3,500 less than in Wyoming.<sup>20</sup> A portion of the discrepancy in spending between Colorado and the other two states can be explained by Colorado’s decentralized, “local control” governance arrangement, where local governments play a greater fiscal role than in many other states. However, as Figure 19 below shows, even when adding local expenditures, per capita expenditures in Colorado still fall below the national average and New Mexico, and far below Wyoming.

**Figure 19.**



### ***K-12 Education***

Education and poverty are deeply connected. Children in poverty experience dramatically inferior outcomes in schooling when compared to children from more affluent families. For example, there are significant and stable gaps in achievement on state tests that are strongly connected to family income. And poor students are much less likely to graduate from high school or to go onto post-secondary education than their affluent peers.

<sup>20</sup> U.S. Census Bureau, American Community Survey and State and Local Government Finances.

Meanwhile, a quality education is the most effective tool to address the ongoing inequities in family income. Students who complete high school, and especially those that are prepared well enough to enter and succeed in college, can dramatically increase their lifelong earning potential. The difference between a high school dropout's lifelong earnings and those of a college graduate are more than one million dollars per graduate. This advantage holds regardless of the income level of the graduate's family.

The benefits of education do not take a lifetime to appear. According to the U.S. Bureau of Labor Statistics, the median weekly income of a high school graduate is 41 percent greater than that of a high school dropout. Further, the weekly median income of a college graduate is 130 percent greater than that of a high school dropout and 63 percent greater than a high school graduate. Education also helps to protect against unemployment. The unemployment rate of high school dropouts is 63 percent greater than high school graduates and more than two times that of college graduates.<sup>21</sup> The effect of parents' education levels on their families' well-being is significant: 82 percent of children whose parents have not earned a high school diploma live in low-income families.<sup>22</sup>

Ironically, students in poverty are likely to do poorly in school while their success in school is the single best intervention to help them grow to become middle-class adults. Eventually, if they become parents themselves, their own education will become the strongest predictor of their children's school success or failure. Thus, helping one child succeed in school not only helps that child become an adult who can move herself out of poverty, but her success has the potential to help future generations of children escape poverty and succeed in school themselves. Failing to educate today's poor children fuels a tragic cycle of failure and poverty.

There are programs and funding streams at the federal and state levels intended to address the achievement gaps and dropout problems of poor students. Unfortunately, these programs remain underfunded or are too small or new to show significant results.

#### *Federal Policy*

Congress and the President enacted No Child Left Behind (NCLB) six years ago. This legislation is intended to address achievement gaps by ensuring that all students are proficient by 2014. This law drives state and local education policies and budgets, leading to an increased emphasis on student assessment and the public reporting of disaggregated data on student performance and teacher qualifications.

These areas require sufficient funding both to meet the act's annual student proficiency and highly qualified teacher requirements, and to pay for the

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<sup>21</sup> U.S. Bureau of Labor Statistics, 2007.

<sup>22</sup> National Center for Children in Poverty, 2007.

interventions that the law requires to help students in low-performing schools. These services include after-school programs and other supplemental services, tutoring, choice, and supports for English language learners and students with special needs.

After an initial increase in funding in 2002, Congress has significantly underfunded NCLB. Estimates of the total shortfall since the enactment of NCLB range from \$40 billion to \$55 billion. While NCLB has focused the attention of state and local leaders on the achievement gaps in our schools, including those between poor students and their more affluent peers, it has not been effective at either increasing the investment in our schools or in closing these same gaps.

### *State Implications*

Compounding federal underfunding of public education are Colorado's own constitutional and statutory impediments to supporting students living in poverty. Despite the state constitutional requirements of Amendment 23 that mandate annual minimum state education increases, several other fiscal measures have limited state education spending in Colorado. These constraints include TABOR, the Gallagher and Arveschoug-Bird Amendments, and the 1994 state School Finance Act.

For public education, this contrived fiscal competition means that state education funding is not sufficient to help poor students. Colorado ranks 48<sup>th</sup> in per-pupil spending as measured by a state's ability to pay in terms of levels of state personal income, leaving it about \$700 per pupil less per student than the national average.

In addition to spending, several other initiatives also have the potential to affect the number of children in poverty and the educational outcomes they experience. In both cases, the state has a growing consensus about the extent of the problems facing at-risk students, and preliminary action steps have been taken, but much more work is necessary.

### *Dropouts*

State and local leaders have engaged in a series of discussions about how to improve the state's graduation rates. A variety of recommendations have been put forward and initial steps have been taken to increase the graduation rates. Reforms have addressed: the calculation and reporting of dropout rates, the availability of counselors, access to post-secondary dual enrollment programs, and standards and assessments.

### *Achievement Gaps*

The achievement gaps in Colorado between children of different backgrounds have been part of the public discourse for several years. A statewide task force convened by the State Board of Education released recommendations for actions to close achievement gaps, but until recently, the state has not invested directly

in programs specifically designed to close achievement gaps. Colorado's accountability systems allow for increasingly sophisticated analysis of the performance by schools and children, including the students' growth toward standards that takes into account the different starting points that children have when they enter public education.

### *Early Childhood*

Like K-12 education, early childhood programs have the potential to both decrease the number of children in poverty and mitigate the effects of poverty on children. For early childhood education, one of the benefits of care comes in the form of potential earning power of mothers of young children who can earn more money by working while their children are in quality programs. Unfortunately, many of these programs only provide subsidies for a limited time. And these subsidies are targeted at the poorest mothers, so the support is often withdrawn as soon as families begin to earn more. This approach disrupts the care children need and creates obstacles for working parents.

To benefit children and families, children need stable, high-quality care that helps children grow as their mothers work. There are several programs in Colorado that operate with federal and state dollars that subsidize programs.

Children that receive quality care in their early years are more likely to enter the K-12 schools ready to learn, and if they can start out on the right foot, they may never fall into the achievement gaps that affect most low-income children. But it takes time for the benefits of investments in accessible, high quality early care to show results. The growing rate of Colorado children living and falling into poverty has made it increasingly important to examine the relationship between available and accessible quality child care and the stability of the workforce, as well as the impact of high-quality child care and early learning opportunities for poor and low-income children.<sup>23</sup>

### *Federal and State Implications*

The three primary child care and early learning supports for poor and low-income children are child care subsidies, early education and full-day kindergarten. In Colorado, those equate to the following programs in which the state can invest:

- The Child Care Assistance Program
- The Colorado Preschool Program
- Full-Day Kindergarten

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<sup>23</sup> Children born into poverty are half as likely to have access to preschool, are twice as likely to repeat a grade or be suspended or expelled, are twice as likely to drop out of school, and are significantly less likely to be at grade level in reading, writing and math. Additionally, research in language development shows great disparities in the number of words children learn before they are 3-years-old between welfare parents, working class parents and college education parents with children of welfare parents learning far fewer words; a gap that without high quality early learning opportunities never closes.

Colorado has made significant investments in the Colorado Preschool Program and Full-day Kindergarten this past year and is committed to continue investing in these programs. The third program, the Child Care Assistance Program (CCAP), helps parents get and keep jobs and the quality of care provided through CCAP impacts the ability of low-income children to realize their potential.<sup>24</sup>

The number of children served through CCAP in 2006-2007 was 36,085 and has steadily declined since 1999-2000, when 53,796 children were served through the program. The decrease in the number of children is due to the decline in and ultimate elimination of TANF dollars being used to fund child care.

Federal funding for the program has remained at approximately \$5 billion nationally since FY 2005-2006.<sup>25</sup> Colorado's total appropriation has been approximately \$75 million since 2005-2006. According to the Center for Law and Social Policy, Colorado ranks 30th among the 47 states reporting for its General Fund appropriation to CCAP.

While Colorado has made a commitment to provide quality child care services to low-income children and families through CCAP, the number of children served through the program does not meet the need. There are not enough licensed child care slots to serve the early childhood population. Demands and many counties' provider reimbursement rates are too low to attract and sustain high-quality providers to serve low-income children.

Licensed child care capacity serves approximately a quarter of Colorado's young children. Table 6 below shows the 2008 licensed child care capacity as a percentage of Colorado's children under the age of five.

**Table 6.**

Age Group	2008 Colorado Population Projection	2008 Licensed Child Care Capacity	Percent
Birth to 1-year-old	75,287	8,684	11.5%
1-year-olds	75,337	10,200	13.5%
2,3,4-year-olds	228,369	79,619	34.8%
Total	378,993	98,503	25.9%

<sup>24</sup> Funding for CCAP is made up of federal dollars from the Child Care and Development Block Grant (CCDBG), the General Fund and county maintenance of effort dollars. The total Colorado appropriation for fiscal year 2008-2009 is \$75,868,579 with \$51,312,605 coming from CCDBG, \$15,354,221 from the General Fund and \$9,201,753 coming from local counties.<sup>24</sup> Counties also have the option to transfer up to 20 percent of their TANF allocation to child care, but in the aggregate have not spent TANF dollars on child care since fiscal year 2005-2006.

<sup>25</sup> Center for Law and Social Policy

In addition, many Colorado counties do not offer sufficient reimbursement rates to entice providers to participate in CCAP, thereby offering slots to low-income children. Findings from the Colorado Department of Human Services Market Rate Survey indicate that:

- 70 percent of counties report at least one reimbursement rate below the 75<sup>th</sup> percentile.<sup>26</sup>
- On average, counties have three reimbursement rates below the 75<sup>th</sup> percentile.<sup>27</sup>
- 39 percent of counties set their family and infant toddler care rates below the 75<sup>th</sup> percentile.<sup>28</sup>
- 41 percent of counties set their center-based rate below the 75<sup>th</sup> percentile.
- 47 percent of counties set their home-based rate below the 75<sup>th</sup> percentile.

Likewise, the average costs of child care make it difficult for low-income families to afford quality child care, as shown in Table 7 below:

**Table 7.**

Age of Child	Average cost of center care	Average cost of family child care
Infant	\$10,854	\$7,680
4-year-old	\$9,764	\$6,980

Source: Qualistar Early Learning.

### **Health**

Health care is another area where the effects of poverty can be devastating to children and families. Children in poor families are much less likely to receive adequate medical care, and thus more likely to suffer from poor health. This affects the long-term health of poor people, as many of the problems of poor health in childhood can translate into lifelong chronic health problems. In addition, health problems can prevent children from learning in school, further complicating their life outcomes. As *KidsCount in Colorado!* demonstrates, Colorado does particularly poorly at ensuring that its low-income children have access to health care and health insurance.

### **Federal Implications**

Several actions at the federal level could impact the number of children living in poverty in our state. The Centers for Medicare and Medicaid Services (CMS) issued directives limiting states' ability to expand the CHP+ and Medicaid

<sup>26</sup> CDHS.

<sup>27</sup> CDHS.

<sup>28</sup> CDHS.

programs only after assuring that a state has enrolled at least 95 percent of the children in the state below 200 percent FPL who are eligible for CHP+ or Medicaid, and that the number of kids in that population insured through private employers has not decreased by more than two percentage points over the prior five-year period. There are approximately 100,000 children in Colorado who are eligible for either CHP+ or Medicaid but who are not enrolled. Colorado's state CHP+ enrollment rate is only 51 percent, as opposed to the required 95 percent.

Additionally, funding to Colorado could be restricted if rules issued by CMS are not permanently rescinded. These regulations could reduce health care coverage for pregnant women, low-income children, and other groups.<sup>29</sup> In July 2006, the Deficit Reduction Act required Colorado to collect from pregnant women and parents original or notarized forms documenting their citizenship and identity and that of their children for whom they were applying for Medicaid. Though this was not intended to apply to the CHP+ program, a condition of CHP+ application is that the applicant must first be screened for Medicaid. Thus, the documentation rules often "unofficially" applied to CHP+ applicants because they had to be assessed for Medicaid first. A Colorado Health Institute survey of eligibility technicians found that nearly half of those staff who responded reported that *eligible* people were less likely to begin and complete an application. Along with other data, this indicates a decrease in children and families accessing services for which they are already eligible.

### *State Implications*

Though Referendum C has allowed the state to retain more than \$1 billion in revenues each year since its passage, most state programs have not returned to the levels of services available prior to the 2001-2003 economic downturn. After Referendum C expires in 2009-2010, it will be a challenge for the state to maintain health care service even for those whom we already cover through CHP+ and Medicaid. Losing the state's ability to cover our share of those programs really results in an additional equal loss (or twice the loss in the case of CHP+, which is matched with federal dollars at 2:1 rate) to the state. Essentially, for every one child the state must cut from the CHP+ program due to our state funding constraints, the federal government cuts two.

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<sup>29</sup> The seven rules restrict services covered by a states' case management plans; limit Medicaid reimbursement to public hospitals; narrow federal Medicaid reimbursement eligibility for outpatient hospital services; bar federal reimbursement for transportation to school and school-based care for Medicaid-eligible children; restrict the types of "rehabilitative" services covered by federal funding; cut federal Medicaid reimbursement for students at teaching hospitals; and limit taxes some states charge health providers. Currently, repeal of these regulations is attached to a war supplemental bill.

## What Now?

### Addressing a Complex Problem, Improving Children's Lives

While there is no simple solution to a problem so complex, Colorado can take a number of steps in terms of policy, advocacy and budget decisions that could support the needs of children living in poverty. Options include:

#### Addressing the Problem: Education

- Enhancing the School Funding Formula's At-Risk Factor
- Closing the Achievement Gap Between Majority and Minority Students
- Promoting Concurrent/Dual Enrollment Programs
- Providing for More Higher Education Scholarships
- Expanding the School Lunch Program
- Reauthorizing and Improving the No Child Left Behind law

#### Addressing the Problem: Early Childhood

- Expanding the Child Care Assistance Program
- Expanding the Colorado Preschool Program
- Increasing Investment in Full-Day Kindergarten, including Quality

#### Addressing the Problem: Health

- Eliminating Barriers to CHP+ and Medicaid Health Care Programs
- Improving Health Care Quality and Access
- Insuring more Kids, Parents and Families through Expansion of State and Federal Programs
- Supporting Kids and Families by Decreasing Family Stressors, Improving Mental Health Care Coverage and Increasing Physical Education Programs in Our Schools

## **The Future Trend: Repeating the Cycle**

If children in poverty continue to grow up at a social, economic, and financial disadvantage, with low student achievement, higher teen birth rates, and low income jobs, then Colorado's problems of increasing numbers in poverty will only get worse as more children are born into these conditions, have children at a young age, and repeat the cycle of poverty.

As a state, we cannot afford to ignore this problem – morally or economically. We must continue to ask tough questions, seek to find answers and commit ourselves to reversing this tragic trend.