Income Support and Social Services for Low-Income People in Colorado

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The Urban Institute

State Reports

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies
Income Support and Social Services for Low-Income People in Colorado

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This report is part of the Urban Institute's Assessing the New Federalism project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is the deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

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About the Series

Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility from the federal government to the states for health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute’s Web site. This paper is one in a series of reports on the case studies conducted in the 13 states, home to half of the nation’s population. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Two case studies were conducted in each state, one focusing on income support and social services, including employment and training programs, and the other on health programs. These 26 reports describe the policies and programs in place in the base year of this project, 1996. A second set of case studies to be prepared in 1998 or 1999 will describe how states reshape programs and policies in response to increased freedom to design social welfare and health programs to fit the needs of their low-income populations.

The income support and social services studies look at three broad areas. Basic income support for low-income families, which includes cash and near-cash programs such as Aid to Families with Dependent Children and Food Stamps, is one. The second area includes programs designed to lessen the
dependence of families on government-funded income support, such as education and training programs, child care, and child support enforcement. Finally, the reports describe what might be called the last-resort safety net, which includes child welfare, homeless programs, and other emergency services.

The health reports describe the entire context of health care provision for the low-income population. They cover Medicaid and similar programs, state policies regarding insurance, and the role of public hospitals and public health programs.

In a study of the effects of shifting responsibilities from the federal to state governments, one must start with an understanding of where states stand. States have made highly varied decisions about how to structure their programs. In addition, each state is working within its own context of private-sector choices and political attitudes toward the role of government. Future components of Assessing the New Federalism will include studies of the variation in policy choices made by different states.
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Highlights of the Report

This report focuses on the baseline conditions of cash assistance and social services in the state of Colorado as it embarks on the new welfare reforms specified in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), in particular the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF).

State Overview

Colorado is younger on average than the nation and more urban (concentrated in Denver and neighboring counties), even though most of its counties are rural. Its population has been growing faster than average, as has its economy, with current poverty and unemployment rates well below U.S. rates, even though per capita income is close to the nation’s.

Colorado is a fiscally conservative state, protective of individual rights and local government prerogatives. Only in child welfare has state control increased during the 1990s. The governorship is relatively weak, with fewer executive appointments than in most states. The legislature is part-time, with members earning low salaries and having no offices or staffs. Legislative committees are staffed by the legislative counsel’s office and committee leadership changes frequently. The governor is a Democrat, but Republicans control both houses. The balance may change in the future, however, because term limits in Colorado prevent the current governor from running again and will have a major impact on the composition of the state legislature.
Setting the Social Policy Context

Colorado has imposed strong fiscal constraint on public revenues and expenditures. In 1979, legislation imposed a cap on the growth of general fund appropriations, which cannot exceed the annual gain in personal income or 6 percent, whichever is lower. And since November 1992, total state and local government revenues may not increase more than the combined percentage of population growth and inflation. If these limits are exceeded, the excess must be refunded to taxpayers unless the voters give approval for another use.

Colorado spends most of its state budget on K–12 education, higher education, health care, and human services. Because of the fiscal limits, the legislature has had to establish spending priorities. Top priority has been given to Medicaid increases, corrections caseloads, and social services caseloads under court order. “Discretionary” spending in areas such as the welfare benefit level, mental health, and most other social services receives a lower priority. There has been little room for expansion of income support, with AFDC spending per poor family in fiscal year (FY) 1995 at $699 compared with $851 for the nation as a whole.

Within the fiscally conservative framework and budget priorities, the guiding philosophy of state policies is to provide the assistance people need to get back on their feet (with strong emphasis on education and training) and to help those who cannot help themselves. Thus, Colorado human services include relatively strong social safety net programs—with a constitutionally mandated Old Age Pension, as well as state appropriations for Aid to the Needy and Disabled and Aid to the Blind.

The Colorado Department of Human Services (CDHS), created through a reorganization in 1994, has responsibility for all social services (except health), plus youth services and alcohol and drug abuse. Counties have primary responsibility for the delivery of human services, with county departments of social services typically administering all the state’s income support, child welfare, and child care subsidy programs. Counties also establish eligibility for Medicaid and food stamps and share in the costs of administering the Food Stamp program.

Basic Income Support

In the final year of AFDC, a single mother with two children received a monthly cash benefit of $356, a level that had not changed since 1989. This compares with the national average of $377 a month. The number of Colorado families receiving AFDC fell by 42 percent between 1993 and 1997, outpacing the nationwide decline of 29 percent because of the healthy economy. In addition to AFDC/TANF and the state-funded assistance programs, there is county general assistance at county option.

Until July 1997, Colorado had a five-county welfare demonstration project under federal waiver, the Colorado Personal Responsibility and Employment Program, or CPREP. For the rest of the state, both state and local officials’ goals for AFDC reflected the traditional role of the program as an income-maintaining...
entitlement. Colorado’s Job Opportunities and Basic Skills (JOBS) program, called New Directions, promoted long-term self-sufficiency by encouraging recipients to participate in extensive education and training and by advocating that counties work on reducing barriers to employment with holistic case management and supportive services. Mandatory JOBS components included a high school diploma or general equivalency diploma (GED), basic or remedial education, English as a second language, job skills training, job readiness, job development, and job placement. Components at county option included job search, on-the-job training, community and alternative work experience, and work supplementation. There was no standard organizational structure for county JOBS programs.

CPREP was a waiver program implemented in five counties, beginning in June 1994. It was supposed to continue for five years; but the state ended it in July 1997, when it implemented Colorado Works, taking advantage of the option in PRWORA that allowed states to end their waiver demonstrations without being subject to the cost neutrality requirements if they did so within 90 days of enacting their TANF program.

CPREP continued to emphasize skill development, but it changed a number of other features of the AFDC/JOBS structure. It offered more generous earned income disregards, provided financial incentives to those who completed a GED, enacted stricter JOBS requirements through permanent sanctions for noncompliance, increased the number of JOBS case managers or provided additional JOBS slots, and increased the income limits for transitional child care. An early evaluation indicated that CPREP did not see a decrease in welfare dependence, but there was a slight increase in the percentage of recipients who were employed (compared with the control group). Colorado’s TANF response, although different from the reform embodied in CPREP, was influenced by two lessons learned from the waiver experience: Recipients need a support system of services in order to keep employed once they have jobs, and moving families from welfare to work is expensive and requires a long-term commitment.

**Programs That Promote Financial Independence**

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child support collection efforts, and health insurance coverage.

**Employment and Training**

Employment and training programs in Colorado are in the process of moving toward a system of one-stop career centers, with the goal of serving all Coloradans. In 1994, the Colorado Workforce Coordinating Council (CWCC) was established to identify areas for reform to move toward this goal. In consultation with CWCC, the Colorado Department of Labor and Employment (CDLE) sets policy, develops performance standards, and allocates funds for career centers. Counties are heavily involved in providing job training services.
through administration of Job Training and Partnership Act (JTPA) Service Delivery Areas (SDAs) and will become more heavily involved through changes adopted during 1997.

CWCC recommended consolidating all U.S. Department of Labor–funded programs—including JTPA, dislocated worker, employment service, senior employment, unemployment insurance, and targeted employment programs—into a “seamless network of career centers delivering services at the local level.” CWCC also recommended “ultimately” integrating Food Stamp Employment and Training, JOBS, Adult Education, Vocational Education, and other programs into the career centers. But its top priority was implementing the one-stop career centers through the Colorado Career Center System, a process that is to take place over three years.

In July 1997, following CWCC’s recommendations, the JTPA and Job Service programs were consolidated under the CDLE with 18 planned Workforce Development Regions (WDRs) as local administrative entities. Prior to consolidation, they were administered separately at both the state and local levels (with the governor’s Job Training Office disbursing JTPA funds directly to the SDAs and CDLE managing 44 job service centers). Conversion of five of the seven SDAs in Denver and the neighboring counties into WDRs, where both JTPA and Job Service will be offered at one-stop centers (to be operated by counties or county consortia), was scheduled for fall 1997. The second wave is scheduled to convert the remaining SDAs into WDRs. The third and final wave will divide the single rural SDA into WDRs in 1999. CDLE plans to close most or all of its Job Service centers during the implementation period and convert their staffs, through attrition, to county employees.

School-to-Career (school-to-work in other states) is the next major program slated for consolidation, to be merged with the one-stop system by 2000. It is currently administered by the lieutenant governor’s office, through an interagency team at the state level, six regional partnerships, and local school districts and businesses. Adult education programs—administered jointly by the Colorado Department of Education (CDE) and the Colorado Community College and Occupational Education System—are also supposed to be integrated with the one-stop system, but there is no formal mechanism for coordination between the two at the state level.

Welfare reform is unlikely to drive Colorado’s workforce development systems for two reasons. First, CWCC and CDLE view businesses and job seekers as their primary customers. Second, TANF, JOBS, and the Food Stamp program are far from being consolidated into the workforce development system. In 1997 an executive order from the governor directed CWCC to coordinate the one-stop workforce system with welfare-to-work as well as other programs. But the details are left to CWCC, CDLE, and local WDRs to work out. And funds flow separately to distinct local government entities—county departments of social services and career centers—that must then coordinate services.
Child Care and Early Childhood Development

Colorado has taken a number of steps to encourage broad input into and awareness of child care policy. These include First Impressions (housed in the governor’s office and supported by private foundations to develop policy, coordinate programs, and advocate on behalf of families), the Business Commission on Child Care Financing (appointed by the governor to come up with financing recommendations), the Colorado Children’s Cabinet (made up of representatives from the state agencies that deliver or influence child care policy), Bright Beginnings (a public/private partnership that focuses on the prenatal period through age three), a governor-established Commission on Early Care and Education (which is holding hearings throughout the state), and the Colorado Children’s Campaign (an independent nonprofit organization that works to raise the visibility of children’s issues).

Child care and child development are considered as parts of an overall vision in the state, although there are still separate administrative structures for the two components. State policymakers are interested in bridging the gap between child development and child care by building an integrated system that both enhances child development and provides care during all the hours parents need to support their work activities.

The Child Care Division of CDHS administers all child care subsidies, is responsible for licensing of child care facilities, and oversees child care resources and referrals. The Colorado Child Care Assistance Program pools federal funding sources into a single program that serves all low-income families on a sliding fee scale based on family income. Federal funding accounts for about 55 percent of funds available for the subsidy, which served almost 32,000 low-income children in state FY 1996. The subsidy is administered through county departments of social services, and the state reimburses the county for child care subsidy payments to providers. These county departments are responsible for eligibility determination, authorization, and payments to providers. Until July 1, 1997, eligibility requirements were statewide and there were few county options. The state’s response to TANF has increased county flexibility. There are no waiting lists for the subsidy program, which serves welfare and nonwelfare clients alike, although there is concern about what will happen as welfare reform progresses. Supply is reported to be a current problem, primarily for infants and toddlers and in rural areas.

The major child development programs are the Colorado Preschool Program and Head Start, structured as part-day, part-year programs operating in facilities separate from full-day child care centers. The Preschool Program is administered by the Department of Education, which is under the jurisdiction of the elected State Board of Education. It was established to serve four-year-olds and now operates in 110 of Colorado’s 176 school districts.

The Head Start Collaboration grant is administered by the governor’s office, with input from the Department of Human Services and the Department of Education. An interagency group representing child care, Head Start, family care,
preschool programs, and schools met for nine months and developed basic principles and beliefs and then agreed on strategies for early childhood programming. Blended funding, one of the strategies addressed by this group, was incorporated into pilot projects authorized in recently passed child care legislation.

**Child Support**

Colorado’s child support program is housed in the Division of Child Support Enforcement in CDHS and administered by the state’s 63 county departments of social services. The state has been working hard to improve its child support system. In 1989, it initiated immediate income withholding, authorization to intercept lottery winnings, and a state case registry. Since then it has implemented workers and unemployment compensation intercept, credit bureau reporting, driver’s license suspension, and in-hospital paternity establishment. Colorado has centralized collection and distribution of child support payments, which is the only part of the statewide child support responsibilities that is performed by a private contractor.

One of the state’s principal child support goals is to increase both the number of cases with support orders and the number of those cases that actually receive payments. Collections increased from $31.7 million in 1987 to $137.3 million in 1996, with the majority of the increase from non-AFDC cases. In 1996, for example, 54 percent of AFDC cases had support orders (compared with 63 percent for non-AFDC cases), and payments were made on only 24 percent of AFDC cases (compared with 31 percent of non-AFDC cases with child support orders). The state is currently examining the effectiveness of various innovations in processing child support cases through the Model Office Project—a three-year federal research and demonstration project with three sites in Colorado.

**Medicaid**

The Medicaid program is the main vehicle for providing health coverage to the low-income population in Colorado. Because increased Medicaid spending directly reduces the state’s ability to raise spending in other areas, the legislature is concerned with keeping its coverage limited. Thus, Colorado’s Medicaid program covers only federally required groups. The state does, however, have certain state-only programs with limited coverage, in an effort to provide a decent floor on coverage without expanding the Medicaid entitlement. These include the Colorado Indigent Care Program, the Old Age Pension program, the Colorado Prenatal Plus program, and the Child Health Plan (recently replaced by the State Children’s Basic Health Plan). Some 540,000 Coloradans were uninsured in 1995, of whom 150,000 were children. These represent smaller proportions of the state’s population than the national average.

The only Medicaid change passed in response to federal welfare reform legislation was to authorize development of buy-in programs for both former welfare recipients and disabled recipients after they return to work. Some
respondents expressed concern that the delinking of Medicaid from AFDC/TANF may create problems for counties in identifying and enrolling Medicaid-eligibles who are not on welfare—given that the pressure to move welfare clients to work may take precedence in an environment of limited caseworker time. To alleviate this concern, the state is developing a new automated eligibility system that will include a stand-alone Medicaid eligibility system to interface with TANF, food stamps, and other programs.

**Teen Pregnancy Prevention**

The Family Services Division (FSD) of the Colorado Department of Public Health and Environment oversees statewide policy and programs concerning teen pregnancy prevention. Most of the state and federal money goes to serve pregnant and parenting teens, although FSD has been urging that more money be allocated to prevention. FSD produces an adolescent health report every few years, which is widely used. It also uses federal money to support teacher training in sexuality education in the schools and has recently added abstinence programs to its offerings. Colorado did accept federal money for abstinence-only programs and solicited proposals from local jurisdictions. In the 1996 legislative session, a provision was passed allowing Medicaid to cover primary prevention (aimed at 10- to 13-year-olds). Few counties have taken advantage of this, however, because the reimbursement process is cumbersome. FSD has been informing communities about this option and encouraging them to apply. In the private sector, the Colorado Trust, one of the state's major foundations, has played a key role in supporting community-based prevention efforts. It is now in the fourth year of a five-year, $10 million teen pregnancy prevention initiative.

**Last-Resort Safety Net Programs**

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare, housing, and emergency services have existed for a long time to “pick up the pieces” when families cannot cope.

**Child Welfare**

Child welfare in Colorado is the responsibility of the Office of Children, Youth, and Families in CDHS. The state office provides for a range of technical assistance and oversight responsibilities. Primary among these is oversight for a settlement agreement that followed a civil action brought by the Colorado Lawyers Committee on behalf of the state’s foster children and other children served by the child welfare system. The provisions of the Child Welfare Settlement Agreement (CWSA), reached in 1994, resulted from negotiation with CDHS, which has conducted its own investigation into the deficiencies of the system.
The impact of CWSA has been great. It has led to additional resources for the system, including increased state funding, maximization of federal funding, and overall staff increases. In addition, it has brought statewide standards concerning service delivery, policies and procedures, and documentation and automation. All counties now use a statewide risk assessment tool and state-mandated intake and investigation procedures and time frames. And all counties are mandated to provide a wide range of core services, which can be provided as alternatives to or to prevent out-of-home placements. As of June 1996, all counties had implemented family preservation, in-home homemaker services, and aftercare services, and most had available mental health services, nonresidential substance abuse treatment, and ongoing family therapy. The state is unlikely to see much further change as a result of federal welfare reform, as child welfare services will continue to comply with the terms of the settlement agreements.

**Emergency Services and Housing**

Colorado faces a continued shortage of affordable housing and a homeless population that increased by 18 percent between 1990 and 1995, as thousands of families a month streamed into Colorado because of its economic boom. The state plays a relatively limited role in serving the homeless, however, and provides no state funding for affordable housing development. The Coordinating Council on Housing and the Homeless includes representatives of nonprofit organizations and state agencies and plays a role in distributing federal McKinney funds. Otherwise, providing for the homeless is up to the counties. In Denver, the local site we visited, food, shelter, and transportation to individuals in a temporary emergency are provided by the local General Assistance program. Most services to the homeless are provided by private agencies. The Metropolitan Denver Homeless Initiative (MDH) was formed in 1994 as a collaborative with more than 400 member organizations. MDH has been involved in developing 753 transitional, permanent, and single-occupancy housing units. This expansion of transitional housing capacity in the Denver area has been noted as an important accomplishment by University of Colorado researchers.

**Colorado’s Response to Federal Welfare Reform**

Passage of federal welfare reform was the impetus for major welfare reform legislation in Colorado. The senator whose proposal finally prevailed (after two previous welfare reform bills were defeated) sought input from a broad range of groups, including AFDC caseworkers and recipients. The legislation’s primary goal was to shift from the AFDC/JOBS focus on education and training to a TANF program that stressed a work-first orientation through work requirements, time limits, and strict sanctions. The final legislation, Colorado Works, included uniform eligibility standards and benefit levels set by the state but also transferred considerably more responsibility to the counties than had been the case under AFDC/JOBS.

Colorado Works mandates that counties assess all applicants and recipients and enter into an individual responsibility contract (IRC) with each recipient. Counties may design their own assessment tools and contracts, as long as
they are confined to matters directly related to seeking and maintaining education, training, or employment. The absence of strategies to overcome personal barriers to employment (such as substance abuse) from the IRC does not reverse Colorado’s historical dedication to providing supportive services. It is, rather, a commitment to focus on outcomes, not behavior, and reflects a decision to manage personal barriers outside the IRC process. Counties may decide if they want a diversion program and how diversion assistance will be provided. They may also design and implement their own education, training, and work programs from a menu of mandatory and optional components. In addition, they may determine when recipients will have to work within the 24-month federal requirements and provide any form of assistance, in addition to the cash grant, to promote long-term employment.

With respect to sanctions, the state defines penalties, but the counties have some discretion on timing. For the first instance of noncompliance, a family’s grant is cut by 25 percent for at least one month until compliance but not more than three months as determined by the county. For the second instance, the grant is cut by 50 percent with the same stipulations. For the third instance, the cash benefit is terminated for at least three months but not more than six months, again as determined by the county.

The increased flexibility for the counties embodied in Colorado welfare reform law is truly changing the state-county relationship, even in a state that has always had a decentralized system—with some consequent strains. The debate over performance contracts highlights the push and pull. All counties were required to submit their county operational plans for Colorado Works implementation by October 1, 1997, for state review. The counties were then supposed to sign a performance contract, with noncompliance sanctionable by the state. However, counties refused to sign the contracts and spent the fall of 1997 negotiating with the state regarding what these documents should include. As of January 1998 they had still not signed. Another area of controversy is the counties’ maintenance-of-effort funding requirements under TANF. Officials of several counties criticized these requirements and the issue was revisited in the 1998 legislative session, resulting in a 9 percent reduction in county maintenance-of-effort requirements for state FYs 1997–98 and 1998–99.

Particular challenges for Colorado in complying with federal PRWORA/TANF requirements are work participation requirements, child support provisions, and provisions affecting immigrants.

The TANF participation requirements necessitate uniform standards and reporting at the state level. Colorado is in the process of implementing a statewide system for tracking work participation rates, but counties disagreed with early figures and do not believe they should be sanctioned for not meeting participation requirements. In addition, the state’s current management information system is not designed to take into account county-specific policies as currently permitted under Colorado Works. CDHS officials acknowledge that the data system is an immediate priority, but the counties are pessimistic about the ability of the state to solve the problems quickly.
Although Colorado has emphasized administrative processes rather than court involvement in child support enforcement for several years, some of PRWORA’s policies geared toward more centralized and standardized case processing are difficult to implement in a system with county discretion. Colorado passed legislation in 1997 to bring the state into full compliance with PRWORA requirements, but these requirements displeased several state legislators, who view them as increased government interference in individuals’ lives.

Colorado continued its commitment to providing a safety net for legal immigrants with legislation passed in 1997. The bill (S.B. 97-171) confirmed eligibility for the state’s Old Age Pension, Aid to the Needy and Disabled, and Aid to the Blind, irrespective of citizenship or date of entry. It also appropriated $2 million for FY 1997 in emergency assistance for immigrants losing eligibility for food stamps. But the bill contained two controversial provisions, both of which may be open to legal challenges. The first would count sponsors’ incomes as part of immigrants’ income in determining eligibility for these state cash assistance programs, which is a violation of Colorado’s state constitution. The second makes anyone who sponsors an immigrant ineligible for public assistance, which may violate the U.S. Constitution.

* * *

Changes in the relationship between the state and its counties in Colorado as a result of PRWORA/TANF offer the opportunity for innovation in one of the nation’s most comprehensive experiments in devolution. It will be important to watch whether counties take advantage of this opportunity to optimize the use of county resources and personalize service delivery—or whether energies will be diverted by the power struggle between the state and the counties as they try to adjust to a new state-local partnership.
Introduction

Urban Institute researchers conducted state- and local-level interviews in Denver in late June 1997, almost one year after federal welfare legislation was passed by Congress. The Colorado state legislature had just passed its companion welfare laws during its spring 1997 session. Governor Roy Romer signed two welfare laws at the end of the session: One law devolved considerable responsibility for designing cash assistance programs for families with children to the counties, within broad state parameters; the other provided benefits for legal immigrants residing in the state. The governor had also just drafted the second in a series of executive orders overhauling the state’s employment and training system. Summer 1997 was a period of rapid transition and implementation of the provisions of these welfare laws and workforce development orders. Additionally, Colorado’s child welfare system was in flux as a result of a 1994 consent decree mandating expanded services.

This report describes Colorado’s social service programs and policies during this period of rapid transition. The report begins with a discussion of the state’s demographics, economy, and political environment. It describes the state’s agenda for serving the needs of low-income families and focuses on program goals, spending, and service delivery structure. The report outlines several major changes in social service delivery that were in the process of implementation in summer 1997. In particular, the report describes (1) sources for basic income support, (2) programs promoting economic independence, and (3) last-resort safety net services for families and children. The report also discusses social service delivery challenges and innovations, especially those related to federal welfare reform. The conclusions consider Colorado’s direction and plans for serving low-income families in the coming years.
Colorado: A Brief Overview

This section provides a brief overview of Colorado’s population and economy to establish the context for the programs described later in the report. It also describes the state’s political and budgetary environment and the impact of this environment on social service policy and delivery. The discussion highlights key factors such as Colorado’s strong economy, population growth, fiscal conservatism, and reliance on local governments for organizing and delivering services.

The State’s Population

Colorado’s population was 3.7 million in 1995 (table 1) and grew at a brisk pace of over 2.5 percent per year from 1991 to 1995. During these years, net in-migration averaged over 56,000 people per year. The state’s population is relatively young, with 8.5 percent of persons in the state age 65 or older, compared with 12.1 percent nationally, in 1994–95. Although most of the state’s 63 counties are rural, Colorado’s population is significantly less rural than the U.S. population (27.8 percent in Colorado compared with 36.4 percent for the nation as a whole in 1990). The state’s population is heavily concentrated in Denver and nearby counties along the Front Range in a line that stretches north and south, encompassing areas north of Denver, and south through Colorado Springs and Pueblo. Twelve Front Range counties contained 79 percent of the state’s population in 1992. Douglas County, just south of Denver, was the fastest growing county in the nation, with a 65 percent population increase between 1990 and 1995. Denver itself grew much more slowly, by about 5 percent, over the same five years.
### Table 1 Colorado State Characteristics, 1995

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<td>$23,961</td>
<td>$23,208</td>
</tr>
<tr>
<td>Percent Change in Per Capita Personal Income (1990–1995)(f, g)</td>
<td>24.6%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Percent below Poverty (1994)(h)</td>
<td>9.3%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Unemployment Rate (1996)(i)</td>
<td>4.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Employment Rate (1996)(j)</td>
<td>69.3%</td>
<td>63.2%</td>
</tr>
<tr>
<td>Percent Jobs in Manufacturing (1995)(k)</td>
<td>11.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Percent Jobs in Service Sector (1995)(k)</td>
<td>25.3%</td>
<td>23.1%</td>
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<tr>
<td>Percent Jobs in Public Sector (1995)(k)</td>
<td>13.6%</td>
<td>14.7%</td>
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<table>
<thead>
<tr>
<th>Family Profile</th>
<th>Colorado</th>
<th>United States</th>
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<tbody>
<tr>
<td>Percent Two-Parent Families (1994)(h, i)</td>
<td>39.0%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Percent One-Parent Families (1994)(h, i)</td>
<td>12.5%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Percent Mothers with Child 12 or Under</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Full-Time (1994)(h, n)</td>
<td>41.2%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Working Part-Time (1994)(h, n)</td>
<td>14.6%</td>
<td>16.1%</td>
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<tr>
<td>In Two-Parent Families and Working (1994)(h, n)</td>
<td>42.9%</td>
<td>40.3%</td>
</tr>
<tr>
<td>In One-Parent Families and Working (1994)(h, n)</td>
<td>12.8%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Percent Children below Poverty (1994)(h)</td>
<td>12.4%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Median Income of Families with Children (1994)(h)</td>
<td>$43,143</td>
<td>$37,109</td>
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<tr>
<td>Percent Children Uninsured (1995)(a)</td>
<td>10.5%</td>
<td>10.0%</td>
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<table>
<thead>
<tr>
<th>Political</th>
<th>Democratic</th>
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<tbody>
<tr>
<td>Governor’s Affiliation (1996)(a)</td>
<td>15D-20R</td>
</tr>
<tr>
<td>Party Control of Senate (upper) (1996)(h)</td>
<td>24D-41R</td>
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</tbody>
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\(b\). CPS three-year average (March 1996–March 1998, where 1996 is the center year) edited by the Urban Institute to correct misreporting of citizenship.
\(c\). U.S. Bureau of the Census, _1990 Census of Population: General Population Characteristics_. Washington, D.C., 1992. This figure combines the Census Bureau’s “Rural” (30 percent) with the 16 percent the Census Bureau lists as “Urban–Outside Urbanized Areas.”
\(g\). Computed using mid-year population estimates of the Bureau of the Census.
\(h\). CPS three-year average (March 1994–March 1996, where 1994 is the center year) edited using the Urban Institute’s TRIM2 microsimulation model.
\(j\). Employment rate is calculated using the civilian noninstitutionalized population 16 years of age and over.
\(k\). Bureau of Labor Statistics, _1995 Geographic Profile of Employment and Unemployment_.
\(l\). Percent of all families (two or more related persons living in the same household) that include one or more related children and in which the head of the family is not elderly and nonelderly.
\(m\). Percent of all families (two or more related persons living in the same household) that include one or more related children and in which the head of the family is not elderly, married, and the spouse is present.
\(n\). Full-time work is defined as at least 1,750 hours per year (50 weeks × 35 hours per week).
\(o\). Part-time work is defined as at least 910 hours per year (52 weeks × 17.5 hours per week) and less than 1,750 hours per year (50 weeks × 35 hours per week).
\(p\). Working is defined as working at least 910 hours per year (52 weeks × 17.5 hours per week).
\(q\). National Conference of State Legislatures. _1997 Partisan Composition. May 7 Update_. D indicates Democrat and R indicates Republican.
Colorado’s population includes a significant share of Latinos but relatively small numbers of other racial or ethnic minority groups. In 1995, Colorado’s population was 11.8 percent Hispanic, compared with 10.7 percent for the United States. Non-Hispanic blacks comprised only 2.9 percent of the state’s population, far less than their 12.5 percent share of the national population. Colorado also had fewer noncitizen immigrants—5.1 percent compared with 6.4 percent nationally. Most of these immigrants were born in Mexico, and many work seasonally on farms, in manufacturing, or at tourist resorts. Colorado receives relatively few refugees, a little over 1,000 each year.

Colorado has a somewhat higher percentage of two-parent families than the nation as a whole (39.0 percent compared with 35.7 percent), and a slightly higher percentage of mothers in two-parent families with young children work full-time than the national average. Colorado also has a highly educated population. The state ranks in the top four in the nation for high school completion (91 percent of Coloradans aged 25 and over were high school graduates) and in the top five in college completion (33 percent of Coloradans had a bachelor’s degree).²

The Economy

Strong economic growth has fueled in-migration and rising incomes during the 1990s. Per capita personal income has risen by nearly one-quarter since 1990. By 1995, Colorado’s per capita income ($23,961) was just above the national average of $23,208 (table 1). Colorado’s poverty and unemployment rates were well below U.S. rates: 9.3 percent versus 14.3 percent for the poverty rate in 1994, and 4.2 percent versus 5.4 percent for the unemployment rate in 1996. Children in Colorado appear to be strikingly better off than the national average. In Colorado, 12.4 percent of children lived in families with incomes below the federal poverty level in 1994, compared with 21.7 percent nationally.

Colorado’s economy is outperforming the national economy, as shown by higher income growth and lower unemployment every year during the 1990s. Falling unemployment rates have been accompanied by rapid declines in the welfare caseload and decreased demand for employment services in most areas of the state. Nonagricultural employment increased by 25 percent from 1990 to 1996. The construction sector led the state’s job growth, with employment increasing by almost 10 percent annually during the 1990s. Public-sector projects such as a new international airport, baseball stadium, and central public library accounted for much of this construction growth early in the decade, but private commercial and housing development picked up during the mid-1990s. Despite rapid growth in recent years, there are strong memories of the 1980s “bust” years, when energy industry declines led to real estate losses and a crisis in the state’s savings and loan industry. With these memories, Colorado policymakers have adopted strategies to diversify the state’s economic base and have a more cautious attitude toward growth.
While economic and population growth are heavily concentrated in the Denver metropolitan area and the Front Range, most other areas of the state are also doing well. Counties along the western slope of the Rockies, which were greatly affected by the energy industry recession, have rebounded in tourism and related industries. The Great Plains counties in the eastern part of the state are largely agricultural and are experiencing slower economic growth. The southern San Luis Valley area near the border with New Mexico has the weakest regional economy in the state. Because the western slope, Great Plains, and San Luis Valley counties are sparsely populated, they have lower overall numbers of families living in poverty or receiving public assistance than the more prosperous Front Range counties. Nonetheless, these rural areas have higher shares of the population in need of social services and weaker service delivery systems.

The Political Landscape

Colorado is a conservative state with respect to fiscal issues, and its citizens are protective of individual rights and local government prerogatives.

Economic and demographic distinctions among regions are important because the state’s social service delivery system is very decentralized. Counties deliver most social services—including welfare benefits, employment and training, child care, child welfare, and general assistance—with minimal oversight and direction from state agencies. Recent state welfare reform legislation and reorganization of employment and training programs have further decentralized service delivery. Only in child welfare has centralized state control increased: The 1994 Child Welfare Settlement Agreement mandated stricter statewide standards.

Decentralization is an important part of the state’s political philosophy. As in many western states, Colorado's policies reflect the strong belief of its citizens in independence and self-responsibility and a distrust of “big government.” Most state officials interviewed think that the population’s needs can best be met when services are organized at the local level. Therefore, the federal government should allow states flexibility, and in turn Colorado should allow local governments as much flexibility as possible. In the words of Governor Romer, Coloradans “believe that government is at its best when it is closest to the people it serves.”

In keeping with this philosophy, Colorado allows local governments a greater share of control over revenues and expenditures than do most states. In 1994, local governments accounted for 52 percent of all state-local revenues and 64 percent of direct expenditures in the state. These percentages are much higher than the averages for local governments nationally (45 percent for revenues and 56 percent for expenditures). Colorado’s 63 counties are the primary units of local government, except in Denver, which has a consolidated city-county government. While there are also city governments, school districts, and special utility districts, counties handle most social service functions. Most
counties are governed by a three- or five-person elected board of commission-
ers, as well as elected treasurers, sheriffs, coroners, and assessors. Most coun-
ties are represented at the state level by Colorado Counties, Inc., an organization
with a powerful voice in state policy deliberations.

Colorado also has a relatively weak governor's office and a part-time leg-
islature. Colorado's governor makes fewer executive appointments than gov-
ernors of most states. Without strong executive control through appoint-
ments, the governor must often persuade agency senior management to
follow his agenda. Moreover, the governor does not propose a budget bill
but makes budget recommendations to the Joint Budget Committee, com-
prising three legislators from each house. The committee drafts the budget for
the legislature. The legislature meets only during the spring, and since the
pay is limited, most legislators hold outside jobs. Individual legislators do
not have staffs or offices. Legislative committees are staffed by the legisla-
tive counsel's office, although individual staff members assigned to commit-
tees report to committee chairs. The leadership of legislative committees
changes frequently, so committee chairs tend to have less power than com-
mittee chairs in the U.S. Congress.

Governor Romer is a Democrat, but Republicans control both houses of the
legislature by secure margins. Romer has been governor since 1987 and enjoys
strong voter approval; however, he will not run for office again because term
limits were enacted in 1990. His predecessor, Democrat Richard Lamm, was a
popular governor who served three terms. Both governors have been able to
work with the legislature and effect incremental policy changes through com-
promise. This balance may change substantially in the future because term
limits will also have a major impact on the composition of the state legisla-
ture. In 1998, 28 of 100 legislators, including all of the leadership of the Joint
Budget Committee, will be precluded from running for reelection.

The effects of rapid population growth, social issues, and fiscal issues have
dominated Colorado politics recently. Political divisions around these issues
reflect urban, suburban, and rural perspectives as well as the emergence of
“social conservatives.” For example, the Colorado Springs area is the head-
quarters of several religious organizations that have pushed for social legisla-
tion, and Boulder has a strong activist community on environmental issues. In
response to concerns about the impact of growth on Colorado's quality of life,
efforts to preserve open spaces in the state have increased, and some support for
comprehensive planning and metropolitan “growth boundaries” has emerged.
The state has used lottery proceeds to fund parks and recreation development
to improve the quality of life. The share of the state budget devoted to trans-
portation was increased to fund highway repairs and improvements to ac-
 commodate growth.

Social issues have been addressed through ballot initiatives and legislative
proposals. In 1992, a statewide initiative restricting gay and lesbian rights
passed, but it was later held unconstitutional by the U.S. Supreme Court. In
1996, Colorado voters rejected a “parental rights” initiative that would have amended the state constitution to read that “parents have the natural, essential and inalienable right to direct and control the upbringing, education, values and discipline of their children.” There was much discussion regarding the interpretation of this amendment. Its proponents were responding to what they considered to be obtrusive and bureaucratic practices of state education, health, and child protection agencies, but it was unclear what changes would have been made if the amendment had passed.

Fiscal Issues

Colorado’s strong economy has helped the budget grow, but the state has imposed strong fiscal constraints on public revenues and expenditures. Total funds in the budget increased by 63 percent (from $5.4 million to $9.2 million) from state fiscal years 1991 to 1997, primarily fueled by higher income and sales tax receipts. In FY 1997, the general fund accounted for 49 percent of state revenues, while cash funds made up 30 percent and federal grants the remainder. The state’s individual income tax, a simple 5 percent across-the-board tax allowing all federal exemptions and deductions, generates about 60 percent of the general fund. Sales and excise taxes account for most of the rest. Higher education tuition and highway-related taxes and fees are the most important sources of cash.

The Taxpayers’ Bill of Rights (TABOR), passed in November 1992 in a citizen-initiated referendum, stipulates that each year total state and local government revenues may not increase more than the combined percentage of population growth and inflation. TABOR covers all state and local revenues except federal funds, government enterprise revenues, lawsuit awards, and donations. If TABOR limits are exceeded, the state or the localities must either refund the difference to taxpayers or receive voter approval to retain the excess revenues.

Colorado’s economy has been so strong that in FY 1997, state revenue growth exceeded Colorado’s 6.6 percent combined population growth and inflation rate, triggering a refund for the first time. During fall 1997, a special session of the state legislature passed a bill (H.B. 97S-1001) refunding $139 million to Colorado residents, as required by TABOR. In 1998, Colorado residents will receive refunds via sales tax credits; the amounts will range from $37 to $80 depending on their 1997 adjusted gross incomes and income tax filing status.4

Since the time of our site visit, we have learned that state revenues for FY 1998 are projected to exceed the TABOR limits by approximately $400 million. In fact, Colorado is expected to enjoy surpluses totaling as much as $1.8 billion over the next five years.

Nearly half of that money would be invested in roads and schools under a measure (H.B. 98-1256) the state legislature sent to the ballot in the fall of
1998. If voters approve this referendum, Colorado would spend $200 million of this surplus—$100 million on transportation, $60 million on K–12 capital construction, and $40 million on higher education—during each of the next five years.

The remainder of the surplus (or all of it, if the referendum fails) will be returned to the taxpayers. The formula for doing so will be the subject of a special legislative session, which Governor Romer will call later this year. The session will revive a debate the legislature failed to resolve in the spring: Many Republican leaders want to refund the surplus by cutting income taxes, while the Democratic governor prefers to include more Coloradans (that is, those who paid sales taxes or user fees but may have no income tax liability) in the refund pool.

Additionally, 1991 legislation imposed a cap on the growth of general fund appropriations. Each year appropriations cannot increase more than the annual gain in state personal income or 6 percent, whichever is lower. In most recent years, the effective limit on appropriations growth has been 6 percent per year. Expenditures for new federal mandates, court orders, some pension payments, and transfers to the capital fund are exempted under the 1991 statute. Thus, general fund revenues in excess of the 6 percent limitation are used for capital purposes. Like TABOR, the general fund 6 percent cap can be exceeded with a popular referendum. One provision of TABOR made this statute limiting general fund growth part of the state’s constitution.

Colorado, like many other states, spends most of its budget on K–12 education, higher education, health care, and human services. In FY 1995, these functions together accounted for 68 percent of the state operating budget. Over the past few years, the shares of the budget devoted to transportation and K–12 and higher education have declined, while the shares devoted to criminal justice and health and human services have grown. Medicaid has driven much of the increase in health care spending. The 6 percent growth limit has forced the legislature to establish priorities for general fund expenditures. As described by state budget analysts, the legislature has given top priority to Medicaid increases, adult and juvenile corrections caseloads, and social services caseloads under court order, especially in child welfare. Second in priority are existing education, health, and social services programs such as the Old Age Pension (OAP) program, Aid to the Blind, and Aid to the Needy and Disabled. (OAP is constitutionally protected.) The third priority is “discretionary” spending in areas such as the Aid to Families with Dependent Children (AFDC) grant level, mental health services, and most other social services (except child welfare). Administrative staff and other state programs also receive third priority for general fund expenditures.
Setting the Social Policy Context

This section describes the state’s policy orientation with respect to low-income families, spending on social welfare programs, and the programs’ organizational structure. Important social policy themes are providing a safety net for the most needy, investing in self-sufficiency, and maintaining local flexibility. This background provides the context for the major social welfare programs described later in this report.

Colorado’s Agenda for Serving the Needs of Low-Income Families

Within the fiscally conservative framework and budget priorities described in the previous section, the guiding philosophy of state policies is to provide assistance for people to get back on their feet and to help those who cannot help themselves, such as children and the elderly. Colorado human services include relatively strong social safety net provisions. Colorado has a constitutionally mandated Old Age Pension program, as well as state appropriations for Aid to the Needy and Disabled and Aid to the Blind. Advocacy groups such as All Families Deserve a Chance, a coalition of about 50 organizations based in Denver, successfully lobbied the legislature to continue these three programs as entitlements for all legal state residents, including noncitizens.
Colorado has traditionally emphasized long-term self-sufficiency for low-income families by investing in extensive education and training for its Job Opportunities and Basic Skills (JOBS) participants. Governor Romer favors a basic safety net for families, as evidenced by his insistence on a minimum welfare benefit level and standard eligibility levels across the state during the state’s debate over welfare reform. But he considers all programs within the context of his highest policy priority, which is education. Governor Romer is also a family advocate. Programs that invest in children early in their lives, such as child development, preschool, and child health programs, receive particular attention.

While basic fiscal parameters and policies toward low-income families are set at the state level, Colorado relies on local governments to a greater extent than most states for revenue raising, spending, and service delivery. Traditionally, counties have paid a portion of the costs of cash assistance and child welfare. In general, their share has been 20 percent, but protections in state law have limited the annual increase in the percentage that counties have to pay. The burden posed by social services generally and AFDC in particular has varied among counties, owing to differences in underlying demographic and economic circumstances. As the last section of this report will describe, welfare reform in Colorado has dramatically increased the flexibility available to counties in promoting self-sufficiency, in keeping with the state’s belief that local solutions serve citizens best.

### Social Welfare Spending

Table 2 summarizes social welfare spending for families with children in some of the major federally supported programs. With a legislated limit on the growth of general fund appropriations and increased Medicaid expenditures, there has been little room for expansion of income support programs. AFDC spending per poor family in FY 1995 was $699 in Colorado, compared with $851 for the nation as a whole, and Colorado’s benefit levels are relatively low. In part because of low AFDC benefit levels, federal spending for the Food Stamp program is higher than the national average. Food Stamp spending per poor family in 1995 was $882 in Colorado and $711 for the nation as whole. Spending per poor family on employment and training programs, most child care and child development programs, and child support enforcement exceeds the national average.

Emergency Assistance (IV-A) funds in Colorado have been used primarily for child welfare services. In seeking additional funding streams to provide child welfare services mandated under a 1994 court order, Colorado defined “emergency” as the removal, or risk of removal, of a child from his or her home into publicly funded care or supervision.
**Table 2  Social Welfare Spending for Families with Children in Colorado, Fiscal Year 1995**

<table>
<thead>
<tr>
<th>Program</th>
<th>Federal</th>
<th>State/Local</th>
<th>Total</th>
<th>Colorado</th>
<th>United States</th>
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<tbody>
<tr>
<td><strong>Income Security</strong></td>
<td></td>
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<tr>
<td>AFDC Benefits(^a)</td>
<td>$75.8</td>
<td>$67.0</td>
<td>$142.8</td>
<td>$699</td>
<td>$851</td>
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<tr>
<td>AFDC Administration(^a)</td>
<td>12.5</td>
<td>12.5</td>
<td>24.9</td>
<td>122</td>
<td>136</td>
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<tr>
<td>SSI for Children(^e)</td>
<td>—</td>
<td>—</td>
<td>43.5</td>
<td>213</td>
<td>184</td>
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<tr>
<td>EITC Federal(^f)</td>
<td>295.7</td>
<td>—</td>
<td>295.7</td>
<td>1,448</td>
<td>1,010</td>
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<tr>
<td><strong>Food Security</strong></td>
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<tr>
<td>Food Stamps, households with children(^g)</td>
<td>180.2</td>
<td>—</td>
<td>180.2</td>
<td>882</td>
<td>711</td>
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<tr>
<td>Child Nutrition(^h)</td>
<td>97.7</td>
<td>—</td>
<td>97.7</td>
<td>478</td>
<td>344</td>
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<td><strong>Education and Training</strong></td>
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<tr>
<td>JOBS(^i)</td>
<td>10.5</td>
<td>6.2</td>
<td>16.7</td>
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<td>59</td>
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<td>JTPA—TOTAL(^i)</td>
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<td>Job Service</td>
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<td>49</td>
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<td><strong>Child Care/Development</strong></td>
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<tr>
<td>AFDC(^c)</td>
<td>6.0</td>
<td>5.3</td>
<td>11.4</td>
<td>56</td>
<td>61</td>
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<td>At Risk(^k)</td>
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<td>3.7</td>
<td>7.8</td>
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<td>CCDBG(^m)</td>
<td>10.0</td>
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<td>34</td>
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<td>Head Start(^m)</td>
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<td>35.8</td>
<td>175</td>
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<td>Colorado Preschool(^n)</td>
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<td></td>
<td>24.9</td>
<td>11.2</td>
<td>36.1</td>
<td>177</td>
<td>115</td>
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<td>6.3</td>
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<td>Other</td>
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<td>32.7</td>
<td>32.7</td>
<td>65.5</td>
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<td><strong>Health</strong></td>
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<tr>
<td>Medicaid, children only(^o)</td>
<td>116.8</td>
<td>103.2</td>
<td>220.0</td>
<td>1,077</td>
<td>984</td>
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*a. FY 1995 unless otherwise indicated in footnotes.

b. Spending per Poor Family. This is spending on each item divided by the number of poor persons in families with children. The number of poor was estimated using the average poverty rate for persons in families with children for 1993–1995 (derived from three years of the Current Population Survey).


d. AFDC Administration. This includes administrative costs for child care (except At-Risk), work programs, automated data processing (ADP), FAMIS (a management information system), fraud control, Systematic Alien Verification for Entitlements, and other state and local expenses. Source: ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services.


g. Food Stamps, households with children. Includes benefit payments only, not administrative costs. Estimates are derived by multiplying actual benefit spending in each state by the estimated proportion of spending for households with children in each state. Source: Urban Institute tabulations based on Food Stamp Quality Control data and tabulations by Food and Consumer Service, U.S. Department of Agriculture.

(Notes continued on p. 24)
Organization of Services and Administrative Structure

Table 3 shows the organizational location of key social welfare programs in Colorado. In 1993, legislation (H.B. 93-1317) was passed reorganizing state executive departments and shifting responsibilities for key programs among state agencies. A new Colorado Department of Human Services (CDHS) was formed that assumed responsibility for all programs administered by the Department of Social Services except health care financing (including Medicaid). It also took on the responsibilities previously housed in the Department of Institutions, including youth services. Finally, it assumed responsibility for alcohol and drug abuse programs previously in the Department of Health. A new Department of Health Care Policy and Financing was formed. Its primary responsibility is Medicaid, but it also oversees other funding for the medically indigent. The intent of the legislature in forming this department was to improve cost containment by having a separate agency solely responsible for health care expenditures. The Department of Health became the Department of Public Health and Environment, to more accurately reflect the range of activities in that agency. It handles issues related to air and water quality as well as the promotion of public health, including teen pregnancy prevention, immunization, AIDS prevention, and community health. In addition to directly addressing health care cost containment concerns, the reorganization brought more of the state’s services for families and children under one agency, the CDHS, with the hope of facilitating program coordination and furthering integration of funding streams. While welfare-related employment and training programs such as JOBS and Food Stamps Employment and Training (known as Employment First in Colorado) are also located in CDHS,

Notes for Table 2 (continued).


i. JOBS. Total spending (combined federal and state) is average monthly expenditures multiplied by 12. The federal and state shares for 1995 were estimated based on the match rates for various components of JOBS spending for federal obligations in the fiscal year. Source: Urban Institute tabulations based on forms FSA-331 and ACF-332, Administration for Children and Families, U.S. Department of Health and Human Services.

j. JTPA. Includes federal obligations to states for JTPA spending under Title II-A (disadvantaged adults), Title II-B (summer youth), and Title II-C (youth training). Federal obligations to states may differ from actual spending. Source: Office of Management and Budget, *Budget Information for the States*, Budget of the United States Government, FY 1997 and FY 1995.


p. IV-A Emergency Assistance. Source: ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services. Emergency Assistance spending was used to provide child welfare services. Colorado defines "emergency" as the removal or risk of removal of a child from his or her home into publicly funded care or supervision.

q. Medicaid, children only. Expenditure data are for benefits only and do not include Disproportionate Share Hospital payments, administrative costs, accounting adjustments, or the U.S. Territories. Source: Urban Institute calculations based on data reported on forms HCFA-64 and HCFA-2082, Health Care Financing Administration, U.S. Department of Health and Human Services.
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<td>Maternal and Child Health,</td>
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<td>Public Health Programs</td>
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most other employment and training programs are located in the Colorado Department of Labor and Employment (CDLE) as a result of a consolidation in 1997. Previously, the Governor’s Job Training Office received the federal Job Training Partnership Act (JTPA) grant.

**County Responsibilities**

Counties have primary responsibility for the delivery of human services. County departments of social services typically administer all of the state’s income support, child welfare, and child care subsidy programs. They also establish eligibility for Medicaid and food stamps and share in the costs of administering the Food Stamp program. The relationship between counties and the state is one of ongoing negotiation to maintain a balance of power and cost-sharing that is acceptable to all stakeholders. Counties raise concerns about state mandates that undermine their flexibility or place additional cost burdens on county government. State officials, on the other hand, note that program implementation through 63 different administrative structures is inefficient and that the state is responsible for ensuring a degree of equity with respect to income support and social services programs.

In 1994, the state legislature passed H.B. 94-1005, which requires counties to undertake a planning process for local service delivery restructuring. Supporters of the bill hoped the planning process would improve coordination, collaboration, and the sharing of resources; reduce duplication; and build partnerships in the human services community. Each county was required to have a local planning committee that included representatives from county government; county social services and health departments; mental health, drug, and alcohol treatment services; schools; and youth and aging, law enforcement, housing, and human services. In March 1997, the state released a state implementation plan, based on 35 local planning documents submitted, summarizing common points of the county plans and how the state would support their efforts. Denver County limited its planning to areas such as child care, employment services, and housing. In Denver, according to a county official, the local planning committee’s plan resulted in little restructuring, but it increased coordination, and the various entities involved are working on designing a common assessment form. Some counties are now using the H.B. 94-1005 planning process as they implement welfare reform, rethinking service delivery and, in some cases, considering regionalization across counties for some welfare-related services.

As the following sections of this report will show, Colorado devolved increased responsibility to counties with welfare reform but increased state oversight of other programs, such as child welfare. However, all these changes must be considered in the context of a state where decentralization has been a long-standing practice.
Income support programs in Colorado reflect a concern for the state’s most vulnerable populations combined with an emphasis on minimizing government involvement in the lives of individuals. Supports and incentives provided to those who are capable of working are designed to facilitate long-term self-sufficiency and independence from government programs. Prior to the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), Colorado had been operating a five-county welfare reform demonstration project through the federal waiver process. In contrast to other states’ welfare reform initiatives, Colorado’s waiver emphasized education and training as a means of decreasing welfare recidivism and did not focus on immediate employment. Colorado has devolved a high degree of responsibility to counties, and passage of the state’s welfare reform legislation in June 1997 expanded county flexibility. This section describes the income support programs available to low-income families in Colorado in 1996 and the first half of 1997. The last section of this report chronicles the development of the state’s current welfare reform, Colorado Works, which embodies the state’s support of individual responsibility and local solutions.

Colorado’s Income Support Programs

Income support programs in Colorado include food stamps, Aid to Families with Dependent Children/Temporary Assistance for Needy Families (AFDC/TANF), and Supplemental Security Income (SSI). In addition to these federally supported programs, Colorado has several state-funded programs, including Aid to the Blind, the OAP program, and Aid to the Needy and Disabled (AND). The OAP program, established in 1937, provides cash assistance to low-
income individuals age 60 years and older. All income support programs for the noninstitutionalized population in Colorado are operated by county departments of social services.

Colorado’s statewide AND program is divided into two parts: (1) AND–Colorado Supplement provides benefits to disabled people who also receive SSI; (2) AND–State Only provides temporary benefits to people who are disabled for less than 12 months or are waiting to receive SSI. Many of these individuals are age 60 to 65 and thus too young to qualify for SSI. General Assistance (GA) programs, including the decision to have a program at all, are left to local discretion. Six counties, including Denver, offer GA benefits to others in addition to the disabled. (Denver’s GA program is discussed in the section on Last-Resort Safety Net Programs.)

AFDC Benefits and Caseload

The number of Colorado families receiving AFDC/TANF decreased by 42 percent from 1993 to 1997, outpacing the federal decline of 29 percent. As of July 1997, just over 26,700 Colorado families were receiving AFDC/TANF benefits. Nearly all respondents attributed the sharp reduction in caseload to the strength of the economy. The average number of monthly food stamp households also dropped from 106,660 families in 1993 to 93,000 as of July 1997, a decrease of nearly 13 percent.

A single mother with two children on public assistance in Colorado is eligible for a maximum monthly cash benefit of $356. Like those of most states, Colorado’s cash benefit has not kept up with inflation. The state has not changed its maximum AFDC benefit level since 1989, when it was increased by an average of $10. From 1970 to January 1996, the benefit level eroded by 45 percent in real value. As in most other states, the vast majority (81 percent) of families receiving assistance are headed by a single adult. Only 3.8 percent of families are headed by two adults, and 15.2 percent are “child only” cases with no eligible adult receiving assistance.

AFDC and JOBS

The Colorado Department of Human Services’ Office of Self-Sufficiency supervises the administration of all nonmedical public assistance programs, including the former AFDC and JOBS programs and the new Colorado Works program. County departments of social services administer public assistance programs and deliver services in accordance with state statute and regulation. Before implementing welfare reform, 41 of Colorado’s 63 counties administered New Directions, Colorado’s JOBS program.
Until July 1997, Colorado had a five-county welfare waiver demonstration project known as the Colorado Personal Responsibility and Employment Program (CPREP), which was administered by the Office of Self-Sufficiency. For the rest of the state, the AFDC and JOBS programs conformed to the structure outlined in federal law and regulations, although county administration led to some diversity in implementation across the state. Both state and local officials’ goals for AFDC reflected the traditional role of the program as an income-maintaining entitlement program, and New Directions’ primary goal was long-term self-sufficiency for its participants. Colorado promoted this vision by encouraging AFDC recipients to participate in extensive education and training in hopes that such activities would lead to high-wage jobs and long-term self-sufficiency. The state advocated that counties identify barriers that might prevent a participant from retaining a job in order to help the participant overcome such hurdles through holistic case management strategies and supportive services. Some counties were more committed to this approach than others. In 1993, the state recognized a need to move toward more employment-directed education and training, so it limited participation in such programs to two years.

The state tried to foster an environment in which counties were encouraged to tailor programs to fit their communities, while remaining within the sometimes stringent federal AFDC and JOBS rules and regulations. The state permitted counties some degree of flexibility in designing their JOBS program by allowing them to choose what components they would offer, beyond those required by the state. Mandatory components included a high school diploma or general equivalency diploma (GED), basic or remedial education, English as a second language, job skills training, job readiness, job development, and job placement. In addition, the costs of postsecondary education, books, and fees could be paid with JOBS funds. Optional components included job search, on-the-job training, community and alternative work experience programs, and work supplementation. The state did not mandate a standard organizational structure for county JOBS programs; thus, in some counties a recipient’s case manager might be the AFDC caseworker, while in others it might be a separate JOBS case manager. Few counties privatized portions of the JOBS program, but several counties contracted with JTPA or Job Service for JOBS case management. Some counties developed innovative strategies without guidance from the state level.

Denver is a prime example of county experimentation before PRWORA. In 1995, Denver County was awarded a federal welfare culture change grant to enable it to apply JOBS-like case management techniques to AFDC cases. The primary goal of the project was to adopt a holistic, integrated approach to serving all welfare applicants. The pilot project, which features an intake process that emphasizes assessment rather than simply eligibility verification, began in April 1997 with two teams. In the pilot project, the jobs of eligibility worker and case manager are merged, so the client deals with only one person rather than two. In addition, the pilot project reorganized staff into functionally integrated teams to improve internal coordination of services and facilitate access
to supportive services for recipients. The eligibility workers/case managers are
in a combined unit with family assessment, child care, child support, and mental
health specialists. A liaison from child welfare also works with the teams. The
team format offers recipients a one-stop-shopping environment in that they
can apply for cash assistance, food stamps, and Medicaid within one unit; they
can assign child support rights, receive an assessment, write an employability
plan, arrange child care, or seek therapy as well. Because implementation of the
pilot project occurred at the same time as federal welfare reform, the pilot
project has become a model for Denver’s implementation of Colorado Works.
Many Colorado counties may adopt similar organizational frameworks.

Colorado Personal Responsibility and Employment Program

Five counties explored innovation at the local level through the welfare
waiver demonstration project, CPREP. CPREP began June 1, 1994, and was sup-
pposed to end May 31, 1999, when the five-year federal welfare waivers expired.
The state ended the demonstration July 1, 1997, when it implemented Colorado
Works, taking advantage of the option in PRWORA that allowed states to end
their waiver demonstrations without being subject to the cost neutrality require-
ments if they did so within 90 days of enacting their TANF program. Five coun-
ties, home to nearly one-third of Colorado’s welfare recipients, participated in
CPREP: Adams, El Paso, Jefferson, Logan, and Mesa. Over a two-year period,
about 10,000 welfare families participated in CPREP, half in the experimental
group and half in the control group.

CPREP changed a number of facets of the AFDC and JOBS structure. Like
the rest of the state, counties participating in the CPREP demonstration empha-
sized skill development through education and training rather than via imme-
diate employment. The primary goals of CPREP were to increase employment
and earnings and decrease recidivism among AFDC recipients. The state sought
to achieve these goals by offering more generous earned income disregards, pro-
viding financial incentives to those who completed a GED, enacting stricter
JOBS requirements through permanent sanctions for noncompliance, increas-
ing the number of JOBS case managers to provide additional JOBS slots, and
increasing the income limit for transitional child care eligibility. The state also
hoped to increase personal responsibility among recipients by cashing out food
stamps and replacing the traditional AFDC child care disregard with direct pay-
ments to recipients.

The CPREP evaluation ended before the state could determine if it had suc-
ceeded in increasing self-sufficiency and decreasing recidivism—the results of
such human capital investment are never immediately evident. Clients may
remain on the rolls while gaining additional skills that could lead to long-term
employment. During the first 12 months of the program, welfare dependence
did not decline in CPREP counties, but the percentage of employed recipients
increased slightly in comparison with the control group. Some state respon-
dents regret that the CPREP demonstration was cut short, because they were unable to study the effects of the program on long-term recidivism.

Although Colorado’s welfare reform plan did not mirror the reforms embodied by CPREP, lessons learned from the demonstration partially influenced how Colorado approached welfare reform. According to state respondents, CPREP illustrated that once recipients become employed, they need a support system of transportation, child care, and medical care to have a chance of retaining jobs and becoming self-sufficient. The state also learned that moving families from welfare to work can be quite expensive and requires a long-term commitment to invest in the child care system.
The cash assistance programs described in the previous section cannot, by themselves, provide self-sufficiency, nor do they supply income levels adequate to raise recipient families out of poverty. To reach either of these goals, recipients of cash assistance also may need employment and training services, child care subsidies, child support enforcement, and Medicaid. Programs for youth develop employability and self-sufficiency of future workers. Colorado’s employment and training system is in the process of being restructured, and the state faces challenges in integrating programs traditionally serving welfare recipients and programs serving a broader population. Child care and child development programs are a priority in Colorado and are being adapted to meet the needs of the growing numbers of low-income working families. Further support to families is provided by a successful child support enforcement program as well as initiatives to increase the involvement of noncustodial parents. While Medicaid benefits are limited in Colorado, the program does serve the most vulnerable populations, particularly children.

Employment and Training

Employment and training programs in Colorado are in the process of consolidation, moving toward a system of one-stop career centers that will serve all Coloradans. To date, however, there has been little coordination in many counties between the job training system and employment and training programs specifically serving welfare recipients, such as JOBS. Low unemployment in the state has eased demand for services for nonwelfare recipients, and JOBS clients
are an increasing percentage of all JTPA clients. As a result, employment and training providers anticipate that further integration of all workforce development programs will be needed.

**Workforce Development Policy**

Colorado’s one-stop workforce development system was planned around anticipated federal workforce consolidation legislation, not welfare reform. The system is designed to serve both employers and job seekers. Special populations such as welfare recipients, youth, veterans, and the disabled are targeted, but they are not the primary focus of the system, which is intended to provide universal access. Coordination between the workforce and welfare systems is mandated, but they remain separate systems at the state level. The governor has emphasized coordination with business to spur economic development and coordination with the community college system to improve human capital and make the workforce more competitive.

In 1994, the Colorado Workforce Coordinating Council (CWCC) was established. CWCC identified five areas for reform: (1) consolidation of programs; (2) development of one-stop career centers; (3) development of regional workforce boards; (4) creation of a statewide information exchange network; and (5) institutionalization of new voucher systems for training and employment services. The state's workforce development policy has evolved largely through consultations among the governor's office, CWCC, the Colorado Department of Labor and Employment (CDLE), county governments, and businesses; there is no state authorizing legislation. The role of CDLE is to set policy, develop performance standards, and allocate funds for career centers, in consultation with CWCC. Counties are heavily involved in the provision of job training services through administration of JTPA Service Delivery Areas (SDAs) and will become more heavily involved following changes adopted during 1997.

The purpose of the one-stop workforce development system is to offer “an array of high-quality core and optional services to any Colorado job seeker, or employer, regardless of the customer’s economic status.” Thus, there are varying activities across the state. In some parts of the state, finding jobs for unemployed workers is a high priority. In most of the state, however, strong economic growth has led to shortages of skilled labor. Employers have taken a strong interest in recruiting workers through the School-to-Career system and through Denver area programs such as the Denver Workforce Initiative and Bridges to Work. Employer involvement in JTPA and the Employment Service (known as Job Service in Colorado) has been limited, but one of CWCC's goals is to increase this involvement as part of the system’s economic development emphasis. Because the economic expansion has created demand for skilled workers, another goal is investment in workers’ education, basic skills, and human capital development. Local control, flexibility, and individual choice are also important goals, because workforce development needs vary across the state.

CWCC recommended consolidating all U.S. Department of Labor–funded programs—including JTPA, dislocated worker, employment service, senior
employment, unemployment insurance, and targeted employment programs—into a “seamless network of Career Centers delivering services at the local level.”  

In July 1997, Colorado’s JTPA and Job Service programs were consolidated, with CDLE as the sole state supervising agency and 18 planned Workforce Development Regions as local administrative entities. Several Workforce Development Regions were in the process of negotiating contracts with CDLE to deliver services, and the department was in the process of writing performance standards (along the lines of current standards for JTPA and Job Service). CWCC also recommended “ultimately” integrating Food Stamp Employment and Training, JOBS, Adult Education, Vocational Education, and other programs into the career centers. However, these changes were to be implemented at the regional level, depending on the particular situations in each region. In the summer of 1997, CWCC’s top priority was implementation of the one-stop system. Performance standards were still in the drafting stage, and the nature of coordination with other programs was mostly left to the local level.

**JTPA and Job Service Delivery Structure**

Before the consolidation in the summer of 1997, JTPA and Job Service were administered separately at both the state and local levels. The Governor’s Job Training Office received the state’s JTPA money and disbursed it to eight local SDAs and a single rural SDA administered by the Office of Rural Job Training in the Department of Local Affairs. The eight local SDAs were governed by Private Industry Councils but operated under the management of counties or consortia of two or three counties, except in Denver, where the Mayor’s Office of Employment and Training (MOET) ran the program. CDLE received the state’s Wagner Peyser (Job Service) funds and managed 44 Job Service centers across the state. All Job Service and most rural SDA staff were state employees, while most staff at the eight local SDAs were county or City of Denver employees.

**Funding.** In program year (July–June) 1995, JTPA was a $27 million program, including $18.6 million for JTPA Title II programs (disadvantaged adults, summer youth, and youth training) and about $8 million for Title III programs (dislocated workers). Another $10 million was spent on Job Service. Colorado’s JTPA funding has fallen with the state’s unemployment rate. Total Colorado JTPA funding dropped nearly a third from program year 1994 to program year 1997.  

The Denver SDA’s JTPA II-A adult funding fell from $1.8 million in 1994 to $1 million in 1997. JTPA II-C youth funding in Denver almost disappeared, dropping from $1.3 million in 1994 to $150,000 in 1997. JTPA summer youth funding in Denver fell less dramatically, from $1.9 million in 1994 to $1.3 million in 1997, but the mayor’s office provided a $400,000 grant to sustain summer youth programs in 1996.

**Local service delivery.** In 1997, JTPA services were delivered differently across Colorado’s SDAs. In Denver, the site visited, MOET subcontracted most education, training, and employment services through community-based organizations. During JTPA program year 1996, MOET subcontracted most JTPA II-A adult services to Rocky Mountain Service Employment Redevelopment,
which offered adult basic education and English as a second language, and to Colorado Women’s Employment and Education, Inc., which provided basic skills and preemployment services for welfare recipients. Other subcontractors provided general office skills training for adults, services to refugees, and services to persons with disabilities. MOET also provided some training courses, especially for dislocated workers, through its in-house Career Counseling and Resource Center.20

MOET has consolidated contracts with service providers in recent years, mostly because of JTPA funding cuts. The number of adult service subcontractors fell from 20 in 1994 to 5 in 1997, and the number of youth contractors fell from 4 to 2.

Outside of Denver there are some examples of integrated services, relationships with private business, and expanded services to welfare clients. Weld County, which has operated a comprehensive one-stop employment and training program for 16 years, was the primary model for the statewide system currently being implemented. Weld County’s one-stop program administers JOBS, a learning center, Head Start, on-site GED classes (under contract with a community college), and Food Stamps Employment and Training. About half of the Front Range county SDAs have county JOBS workers co-located at their one-stop career centers or at JTPA service delivery sites.

**Status of One-Stop Career Centers**

Development of one-stop career centers through the Colorado Career Center System is at the center of the state’s workforce policy. According to CWCC, the primary components of its vision for the Career Center System include (1) maximizing consumer choice through the development of computerized information networks and case management; (2) providing universal access by expanding services in remote and rural areas; (3) integrating services through a common intake process and the consolidation of programs, where possible; (4) monitoring outcomes through performance-based and customer satisfaction measures; and (5) promoting economic development by increasing the “number of qualified workers” and matching them with employers experiencing labor shortages.21

Colorado received its one-stop planning grant22 from the U.S. Department of Labor in 1994 and its three-year implementation grant, worth $10.5 million, in December 1996. The first wave of implementation, scheduled for fall 1997, includes five to seven Workforce Development Regions covering most of the Front Range and 50 to 62 percent of the state’s population.23 Denver and most suburban counties will be included in the first wave, as will Weld County (Greeley). During phase two, the second year of the grant, the remaining local SDAs will be converted to Workforce Development Regions, where both JTPA and Job Service will be offered at one-stop centers. In all of these regions, counties or county consortia will operate the one-stop centers. During the third and final year, the rural SDAs will be divided into several smaller workforce
regions, most likely based on economic planning regions. Some regions will
operate their own one-stop centers, while others may opt to allow the state to
offer JTPA and Job Service through existing or new Job Service centers.

CDLE plans to close most or all of its 44 Job Service centers during the
implementation period. They will be replaced by one-stop centers, and most
one-stop center staff will eventually become county employees, through attri-
tion, except in the rural regions designating CDLE as the one-stop operator. Job
Service employees working for CDLE in 1997 will continue to be state employ-
tees but will be gradually replaced by county employees through retirement
and attrition. At the time of our site visit in June 1997, no workforce regions
were planning to contract one-stop operations to private companies.

Other Major Employment and Training Programs

School-to-Career (School-to-Work in other states)\(^{24}\) is the next major pro-
gram slated for consolidation. CWCC is drawing plans to merge School-to-
Career with the one-stop system by 2000. School-to-Career is currently admin-
istered by the lieutenant governor's office, through an interagency team at the
state level, the Colorado Department of Education, six regional partnerships,
and local school districts and businesses. Colorado's six School-to-Career
regional partnerships were developed before the 18 Workforce Development
Regions were established, and school district boundaries are not conterminous
with counties.

Adult education programs are also administered separately from the one-
stop system. The Colorado Department of Education distributes adult education
funding through local school districts, and the Colorado Community College
and Occupational Education System funds classes at community colleges. Each
receives just over $1 million annually from Colorado's adult education grant.
Classes include adult basic education (up to eighth grade), GED classes, and
English as a second language. The state provides no funding for adult education
or literacy.

In an August 1996 letter, Governor Romer cited the community college sys-
tem as a model for the workforce system because of its emphasis on human cap-
ital and economic development. Most interviewees considered Denver's
Community College Technical Education Center programs as models for prepar-
ing students for highly skilled occupations. While the governor's letter directs
CWCC and CDLE to "work closely" with the community college system in
designing the new one-stop centers, there is no formal mechanism for coordi-
nation between the centers and community colleges at the state level.\(^{25}\)

Services for Families on Welfare

For a number of reasons, welfare reform is unlikely to drive Colorado's
workforce development system. CWCC and CDLE view businesses and job
seekers as their primary customers. Administratively, TANF, JOBS, and the
Food Stamp program have not been consolidated into the workforce development system. The 1997 governor’s executive order outlining the state’s workforce development plan directs CWCC to coordinate the one-stop workforce system with welfare-to-work as well as other programs. The details of this coordination, however, are left to CWCC, CDLE, and local workforce regions. Funds flow separately to distinct local government entities—county departments of social services and career centers (sometimes operated by counties and sometimes by county consortia)—which must then coordinate services. As discussed in the section on local service delivery, some local (previously JTPA Service Delivery Areas (for instance, Weld County) have a history of coordinating JTPA and JOBS, while others do not.

In Denver, MOET administers JTPA, while the Denver Department of Social Services (DDSS) handles welfare-to-work programs. In 1997, MOET received contracts for some JOBS clients, but DDSS operated its own employment center. Colorado Women’s Employment and Education (CWEE), a program that serves mostly those who already have a GED, was one of the primary MOET subcontractors for JOBS participants. JOBS clients were referred to CWEE and were served using JTPA funds.

Denver places heavy emphasis on serving teenage AFDC recipients through JOBS. DDSS has a special unit of case managers for adolescents, and 90 percent of Denver's teenage caseload is in JOBS. DDSS also requires teens to attend school and have a school plan.

Statewide, decreasing JTPA funding has led to increasing dependence on JOBS (now Colorado Works) funding for workforce development services for TANF participants. At the same time, the share of JTPA participants receiving welfare has been increasing. In program year 1995, 41 percent of Colorado JTPA II-A participants received AFDC. According to our interviews, this share increased to more than 60 percent by program year 1997. Decreasing JTPA funding and an increasing proportion of participants receiving welfare are likely to increase the importance of linking JTPA with welfare-to-work initiatives.

Other programs also serve recipients of public assistance. Colorado’s Food Stamps Employment and Training program, known as Employment First, is administered separately through CDHS and local departments of social services. Colorado operates a Community Work Experience Program that provides subsidized employment in the private sector as well as unpaid work experience in the public sector. Some service providers in Denver use this program for welfare-to-work placements. Colorado also makes extensive use of the Work Opportunity Tax Credit program, which offers employers federal income tax rebates for hiring welfare recipients, residents of empowerment zones, disadvantaged youth, and other targeted groups. From January to June 1997, this tax credit program placed more than 3,500 workers in employment. CDLE administers the program and has memorandums of understanding with county social services departments and community-based organizations that work with targeted groups.
**Local Initiatives**

The Denver area is host to two new employment and training initiatives that target low-income neighborhoods but not necessarily welfare recipients. One program, Bridges to Work, is focused on reverse commuting; the other, the Denver Work Initiative, is an attempt to link employers to community residents. Denver is one of five national demonstration sites for Bridges to Work, a reverse commuting and suburban employment program funded 75 percent by the U.S. Department of Housing and Urban Development and 25 percent by local matches. Public/Private Ventures, a Philadelphia-based nonprofit organization, started the program, which has a four-year budget of $2 million and includes seven Denver area public and private partners: MOET, Arapahoe County Employment and Training, Curtis Park Community Center, Denver Regional Council of Governments, Mile High United Way, Regional Transportation District, and Southeast Denver and Douglas County Economic Development Council. Residents from designated neighborhoods in Denver and Aurora are matched with jobs in six major business parks located along Interstate 25 south of Denver in Arapahoe County. A network of community-based organizations refers participants to the Bridges Center for screening, and once selected, participants are matched with jobs, given transportation assistance, and referred to career counseling and support service providers.27

Denver Work Initiative is an effort to link major employers with residents in 20 low-income Denver neighborhoods. The Annie E. Casey Foundation, the Piton Foundation, and other private funders support the initiative, which has a $1 million annual budget for seven years. The initiative provides job coaches for inner-city residents, training and assessment tools for employers, and linkages between residents and employers. Denver Work Initiative’s primary goal is to place 850 residents of low-income neighborhoods in jobs in targeted industries by 2000.

**Child Care**

Children’s programs, especially early childhood education and child care, are priorities of Governor Romer, and he has raised the visibility of these issues in the state. He often talks about making Colorado the best place in the country to raise a child. Colorado is recognized regionally and nationally for its aggressive work in child care. As discussed in the last section of this report, the governor championed child care in the welfare reform debate, and the legislature was responsive to the need for child care.

In the 1996 session, the Colorado legislature passed a state child care income tax credit for families with incomes of $60,000 or less and an income tax check-off bill that will direct funds to improving program quality.28 In 1997, its first year, the tax check-off raised $150,000.
Policies and Statewide Initiatives

Colorado has taken a number of steps to raise awareness of child care as an issue, to encourage broad input on child care policy, and to enhance early childhood care and education. First Impressions, the Business Commission on Child Care Financing, the Colorado Children’s Cabinet, Bright Beginnings, the Commission on Early Care and Education, and the Colorado Children’s Campaign are examples of public and private initiatives addressing child care and child development. Colorado’s first lady, Bea Romer, has played an important role in promoting early childhood initiatives. She chairs First Impressions, which is housed in the governor’s office and develops policy, coordinates programs, and advocates on behalf of families and children. First Impressions was started in 1987 and is supported by private foundations, not state revenues. Over the years, First Impressions has developed new children’s initiatives and guided them to become operating programs in the state. For example, Family Centers, which allow local communities to pool funds from a variety of state sources to establish centers that deliver a comprehensive array of family services, and Child Care Resource and Referral Agencies started with First Impressions.

In 1995, the governor appointed a Business Commission on Child Care Financing to “propose innovative but realistic methods to help finance quality child care that is affordable and accessible for Colorado families.” The state child care tax credit and the income tax check-off were recommendations of this commission. Other recommendations included removing zoning impediments to the establishment of child care facilities, establishing a community development corporation to provide financial assistance to child care providers, and extending enterprise-zone tax credits throughout the state for child care purposes.

The Colorado Children’s Cabinet is composed of representatives from the state’s human services, health, and education agencies that deliver or influence policy related to young children. The Children’s Cabinet acts as a resource to the governor and his cabinet in directing the development of policies and programs for young children and families, including child care.

Bright Beginnings was an important theme of Governor Romer’s State of the State address in 1995. It is a public-private partnership that focuses on prenatal care and children from birth to age three. It supported a large-scale effort to recruit and train volunteers to visit all new parents and provide them with information on child development and resources in their communities. Bright Beginnings has hosted several child care meetings with employers across the state, including a statewide employer summit on child care.

The governor recently established a Commission on Early Care and Education that is holding hearings across the state to obtain public input on creating local integrated systems for early care and education.

Finally, the Colorado Children’s Campaign, an independent nonprofit organization, has raised the visibility of children’s issues with its Doll Day public awareness campaign. Since 1995, some 100,000 dolls detailing children’s
some are displayed prominently in state and local government offices. The Children’s Campaign also coordinates legislative work on children’s issues.

In Colorado, child care and child development are discussed and considered as parts of an overall vision for improving early childhood programs and experiences. The strong interest in and high-level support for early childhood issues result in substantial policy input and influence for state child care and preschool program administrators. State policymakers are interested in bridging the gap between child development and child care by building an integrated system that both enhances child development and provides care during all the hours parents need to support their work activities. Accomplishing this goal is a challenge because of differing administrative structures and funding streams. Key programs that the state is trying to bring together include the Colorado Preschool Program, early childhood special education, Head Start, and subsidized child care. The first two are the province of the Colorado Department of Education and school districts; Head Start involves a direct relationship between the federal government and local grantees, largely bypassing the state; and subsidized child care involves CDHS and county governments. Child care legislation passed during the spring 1997 session offers one approach to addressing this challenge: The legislation established 12 pilot programs to promote blended funding and program integration across child care and child development programs. The legislation provides no new funding, but it facilitates waivers and planning for service integration.

The Subsidized Child Care System

The Child Care Division of CDHS administers all child care subsidies, is responsible for licensing child care facilities, and oversees child care resource and referral. The goal of the division is to promote quality, accessible, and affordable child care services for Colorado families. The program is characterized by its pooling of federal child care funding sources into a single program that serves all low-income families on a sliding fee schedule based on family income.

The Colorado Child Care Assistance Program provides financial assistance for child care to families in four social services programs: Low-Income Child Care, Colorado Works (TANF), Employment First (Colorado’s Food Stamps Employment and Training program), and Child Welfare Special Circumstance Child Care. These programs include current and former welfare recipients as well as non-AFDC/TANF families. To obtain low-income child care subsidies, parents must be involved in employment, education (for teen parents), or job search activities. Effective January 1, 1996, counties were given the option of including training or education as an eligible activity for all low-income clients.

The Colorado Child Care Assistance Program served almost 32,000 low-income children in the state fiscal year ending June 1996. Federal fund-
ing accounts for approximately 55 percent of funds available for the child care subsidy. This funding came to the state in several discrete funding streams, including Title XX, Title IV-A At-Risk, Child Care and Development Block Grant (CCDBG), Title IV-A JOBS, Title IV-A Transitional, and Title IV-A AFDC. Under welfare reform, these funding streams were consolidated and streamlined and cover all the groups currently served. State general fund and county contributions make up the remainder of the nearly $30 million annual budget.

County departments of social services administer the child care subsidy program, and the state reimburses the counties for child care subsidy payments to providers. Sources of child care subsidies are pooled, and eligibility requirements are identical for all subsidy programs. Since early 1992, Colorado has had one automated state system that computes and enters expenditure assignments so the system is “seamless” to both the county and the parent.

County departments of social services are responsible for eligibility determination, authorization, and payments to providers. The system that was in place until July 1, 1997, had statewide eligibility requirements for low-income child care and offered few county options—the state set most payment options and the rate structure. Under Colorado Works, counties may increase the income eligibility level for subsidized child care to anywhere from 130 to 185 percent of poverty, and counties may increase or restructure provider reimbursement policies. For example, counties may choose to pay higher rates for night or weekend child care or they may adjust the payment schedule to ease the transition off the child care subsidy, reducing the “cliff effect” that occurs when people lose eligibility for the child care subsidy as a result of increasing income.

Counties are also involved in parent education to help parents learn how to select a child care provider. Parents make their own arrangements for care with centers, licensed homes, or friends and relatives (legally exempt from licensing). Then the county works out arrangements to pay a portion of the clients’ child care costs directly to the provider. Some counties have partnered with Child Care Resource and Referral agencies to assist parents. The state has an active community-based resource and referral system. In June 1996, Colorado received a $217,000 grant from the National Service Corporation to establish a Colorado Child Care Corps. The 15 corps members will be placed in Child Care Resource and Referral agencies around the state. They will help communities assess the need for child care, recruit new providers into the field, and assist providers through the licensing process.

**Adequacy of Supply**

Colorado reflects the national trend of more mothers in the workforce. In FY 1995–96, there were over 177,000 children in Colorado under the age of six with mothers in the workforce, and there were about 109,000 licensed child care slots for children under age six. However, not all children with working parents need formal child care—some rely on one parent at home, shift
schedules, or care provided by friends and relatives. Under the workforce provisions in the newly enacted federal welfare reform bill, state child care administrators anticipate that an additional 40,000 children whose parents are not now in the workforce will need child care over the next three years.\textsuperscript{35}

The state has no preference regarding types of child care providers, and the policy of the Child Care Services Division is to provide resources and information but not to direct parents’ choices. State child care administrators estimate that the current supply of child care providers is about 60 percent licensed day care centers, 25 percent legally exempt care, and 15 percent licensed family day care homes.

According to administrators in the Child Care Division, there are no waiting lists for child care subsidies. State and local child care officials reported that funding for child care subsidies was adequate. The current system is able to serve both TANF recipients and working poor families, but it is uncertain how welfare reform will affect demand. Supply is reported to be a problem in some areas, especially care for infants and toddlers and children in rural areas. The Colorado Office of Resource and Referral Agencies reported that the greatest areas of need are infant care, toddler care, shift work/evening care, care for mildly ill children, before- and after-school care, and part-time care (especially for younger children).

\textbf{Quality and Licensing}

Inspection and licensing are important state functions that Colorado is continuously seeking to improve. Colorado’s regulations regarding child care cover a broader range of settings than those of many other states. The Child Care Division is responsible for licensing and monitoring all types of child care facilities, including child care centers, preschools, family day care homes, school-age child care, and residential child care facilities. Licensing covers the health, safety, nutritional, facility, and programmatic aspects of operations. In addition, child care centers must meet local health, fire, and building codes. School systems are required to meet state licensing standards when offering preschool or before- and after-school care.

Every three years, CDHS reviews state licensing procedures and its own rules and regulations. The last review, in 1996, resulted in streamlining the child care licensing process by adopting a risk-based approach that targets resources toward more frequent monitoring and inspection of centers that are new or that have a poor quality record.\textsuperscript{36}

An important issue for the Child Care Division is how to increase quality among legally exempt providers (primarily those who care for children of relatives). One pilot project under way at the Department of Health allows legally exempt providers to participate in the Child Care Food Program in exchange for participating in training.
Quality of staffing is another concern. Colorado does have regulations for staff-child ratios in child care centers, but the National Association for the Education of Young Children recommends a higher ratio of adults to children than Colorado requires. Credentials are another issue with respect to quality. Child care administrators and advocates note that many of those employed in child care have limited educational preparation. The low reimbursement rates for subsidized child care keep wages low for child care workers. At the local level, several child care providers noted that they were losing staff to a new suburban shopping mall that had recently opened, because entry-level retail jobs offered higher pay than child care centers.

**Local Service Delivery**

Each county maintains fiscal agreements with child care providers that specify the reimbursement rate and other conditions of service. Some counties provide child care funding beyond the required match. The City of Aspen is unique in having a sales-tax-funded child care program.

In Denver, Department of Social Services administrators indicated that there were no waiting lists for child care subsidies. However, it was noted that non-AFDC/TANF families do not go to Social Services to apply for the child care subsidy and that the demand for child care subsidies might increase if the program changed access points to settings where more non-AFDC/TANF families might apply. So far, additions to or changes in access points have been discussed but not implemented. Because of the low reimbursement rates, most of the large chains of for-profit child care providers left the core areas of the city; consequently, the supply of formal child care in Denver is mostly independent nonprofit centers, and most low-income families use exempt providers. DDSS has an on-site child care center and training program that provides both child care for those engaged in DDSS services and training opportunities for welfare recipients to become child care workers. The program is affiliated with a community college.

Denver was the focus of the major activity of the Head Start State Collaboration Project, which worked with the Child Care Division to advocate for high-quality wraparound child care for Head Start children. The collaboration included the City and County of Denver, Mile High Child Care Center (the major provider of child care for low-income families in Denver), the Department of Education, and smaller child care centers. Although the Head Start grant was divided between two agencies, participants in the city and county have continued to work toward developing strategic plans for comprehensive early childhood care and education within the confines of their grant.

**Relationship to Early Child Development Programs**

Child development programs, including the Colorado Preschool Program and Head Start, are generally structured as part-day, part-year programs operating in facilities separate from full-day child care centers. The Colorado Preschool Program was established in 1988 to address the needs of four-year-
olds, and its early emphasis was on language development. In 1996, the program operated in 110 of Colorado’s 176 school districts, serving approximately 8,500 children at an annual cost of $17 million.

The Colorado Department of Education, which administers the Preschool Program, is not within the executive branch but under the jurisdiction of the elected State Board of Education. The Board of Education sets policies, but in practice there is communication and cooperation with the governor’s office. The director of the Preschool Program is on the Children’s Cabinet, and the Preschool Program and the Child Care Division of CDHS at the state level have a good working relationship.

The Head Start Collaboration grant is administered by the governor’s office, with input from the Department of Human Services and the Department of Education. The state is critical of Head Start’s separate and distinct status as a federally administered program that has no formal links with the state, because this arrangement impedes the integration of Head Start with other early child care and development programs and adds administrative burdens. An interagency group representing child care, Head Start, family care, preschool programs, and schools met for nine months and developed basic principles and beliefs, then agreed on strategies for early childhood programming. Blended funding, one of the strategies addressed by this group, was incorporated into the pilot projects authorized in the recently passed child care legislation. Other issues the interagency group addressed were state-based monitoring, consolidated quality standards to be used across programs, and a more universal approach to training for early childhood teachers.

Child Support

Colorado is continually pursuing ways to improve its child support system via legislation geared toward strengthening enforcement, implementing pilot projects that enhance child support services, and promoting discussions about increasing the role of noncustodial parents in their children’s lives. The state has enacted seven pieces of child support legislation since 1989. It enacted immediate income withholding and authorization to intercept lottery winnings, and established a state case registry in 1989. Legislation mandating the Uniform Interstate Family Support Act, Workers and Unemployment Compensation intercept, and credit bureau reporting was passed in 1993 and 1994. Driver’s license suspension for parents who failed to pay child support was enacted in 1995. Not only has Colorado implemented several policies related to establishment, enforcement, and modification of child support orders before the majority of other states, it has explored innovative policies through its Model Office demonstration and studied the role of fathers in the lives of their children.

Colorado’s child support program is housed in the Division of Child Support Enforcement in CDHS, but it is administered by Colorado’s 63 county
departments of social services. Some counties have cooperative agreements with county district attorney’s offices to administer the program. At the time of our site visits, two counties, El Paso and Teller, contracted all their child support operations to private providers.

Colorado centralized the collection and distribution of child support payments in 1990. This function is the only portion of the statewide child support responsibilities performed by a private contractor. Collections increased from $31.7 million in 1987 to $137.3 million in 1996, but payments had been made in only 24 percent of AFDC cases and 31 percent of non-AFDC cases with child support orders in that year. The state collected $13.9 million for families on AFDC in 1987 and $45.4 million in 1996. Thus, while most of the increase in collections was driven by the non-AFDC caseload, AFDC collections increased more than threefold.

One of the state’s principal child support goals is to increase the number of cases with orders for support. In 1996, the number of cases with support orders was 54 percent for AFDC and 63 percent for non-AFDC cases. The state passes on to the counties a portion of the child support funds that are collected for current and former AFDC recipients, thus giving the counties an incentive to be more aggressive in increasing orders and collections.

Colorado set up an in-hospital paternity establishment program in 1993, after testing the program in four Denver hospitals and seeing a dramatic increase in the voluntary paternity acknowledgment rate. Before the program, interested parents were required to pay a fee to establish paternity, undergo a mandatory waiting period, and provide documentation of prior divorces. This burdensome process to voluntarily add the father’s name to the birth certificate took an average of 167 days. The process now takes less than two weeks.

The state is trying to encourage innovation at the local level through the Model Office Project (MOP). MOP is a three-year federal research and demonstration project that began in 1994 in two states and has three sites in Colorado: Archuleta, Denver, and Mesa counties. The project is examining the effectiveness of various innovations in processing child support cases, including maximized automation, better location processes, enhanced interview techniques, improved customer service, and broadened community linkages. To promote cooperation and improve client satisfaction, one county consolidated the AFDC applicant and child support interviews. Now applicants interview with a single staff member rather than two. The state also used MOP to explore how to better serve domestic violence victims under the “good-cause” exemption from child support cooperation requirements. The counties trained child support and income assistance workers to assess applicants more systematically for domestic violence. Denver contracted out its customer service function, including handling all phone calls and simple case actions, in order to relieve child support technicians of telephone interruptions and improve client satisfaction.

As part of Governor Romer’s emphasis on the well-being of children, he has promoted involving noncustodial fathers in their children’s lives. In 1995,
Romer appointed the Task Force on Responsible Fatherhood to explore the increasing incidence of fathers’ absence from their children’s lives, with the hope of changing the image of fathers from that of simply breadwinners to nurturing, involved parents. One of Romer's goals is “to make parenting by fathers a priority equally important alongside child support.” Therefore, one of the charges of the task force is to examine the negative effects of the child support system on fathers’ attitudes toward their parenting responsibilities. One subcommittee of the task force is developing specific judicial recommendations to remove barriers preventing fathers from being active in their children’s lives. The Division of Child Support Enforcement has played an active role in the Responsible Fatherhood initiative.

**Medicaid and Other Health Insurance**

The general philosophy of Colorado toward health care for the poor seems to be one of providing a floor while avoiding the establishment of new entitlements. Medicaid is a major concern of state legislators, particularly in light of Colorado’s constitutionally mandated limits on expenditure growth, because increased Medicaid spending directly reduces the state’s ability to raise its spending in other areas. In 1995, Medicaid represented 18.2 percent of state general fund expenditures, up from 10.5 percent in 1990. With a growth rate of 21.3 percent over that period, it was the fastest growing major public expenditure. Its growth rate was more than double that of all general fund spending.

In 1995, there were an estimated 540,000 uninsured Coloradans, 150,000 of whom were children. Although the percentage of Colorado’s population that is uninsured is lower than the national average, Colorado’s Medicaid program is quite limited. For example, Colorado has no medically needy program allowing persons to spend down to eligibility; and for acute care for the population under age 65, the state covers only the federally required groups. Some expansions, such as eliminating asset tests for children and adults, have been debated but not adopted. Rather than maximize federal contributions through Medicaid eligibility expansions, Colorado uses state-only programs where feasible to ensure flexibility and limit entitlement to new benefits. For example, even before the federal government created the State Children’s Health Insurance program, the state had developed a children’s insurance initiative outside of Medicaid.

Despite its limited nature in Colorado, the Medicaid program is still the main vehicle for providing health coverage to the low-income population. For some uninsured Coloradans not eligible for Medicaid, health care is partially reimbursed through the Colorado Indigent Care Program. Children not otherwise covered may be eligible for the Child Health Plan (recently replaced by the Children’s Basic Health Plan). In addition, other state programs target specific populations, such as the Old Age Pension program, or specific health problems, such as the Colorado Prenatal Plus program. Colorado’s General Assistance pro-
gram contains no medical service component. In FY 1996 about 15 percent of Coloradans received health care services financed through Medicaid or other publicly funded programs.\textsuperscript{40}

Colorado’s Medicaid program served 368,500 persons in 1995, a substantial increase from 239,900 enrollees in 1990. The number of Medicaid enrollees is projected to rise at a rate of less than 1 percent per year through 1998. AFDC-related Medicaid enrollment has been slowly declining, chiefly because of the strong economy and the resulting reduction in AFDC rolls. The bulk of the non-AFDC increase was a result of expansion of coverage for the disabled and for low-income pregnant women and children (the Baby Care/Kids Care program). The income cut-offs for non-AFDC pregnant women, infants, and children through age six in this program are 133 percent of the federal poverty level, per federal requirements. Emergency care is provided for undocumented aliens who have not established legal residence, also as required by federal law.

A few changes in Medicaid eligibility were made in the 1997 legislative session. They include authorization to develop buy-in programs for former AFDC/TANF recipients and for disabled Medicaid recipients, which will extend Medicaid coverage indefinitely for these groups after they return to work.

Respondents in the Department of Health Care Policy and Financing expressed concern about the “delinking” of eligibility for Medicaid and income support. Before welfare reform, women and children who met AFDC eligibility criteria were categorically eligible for Medicaid. Now the two programs do not use the same criteria. Despite the state and federal changes to AFDC/TANF, states are still required to use the old AFDC criteria for categorical Medicaid eligibility. The separate eligibility standards and enrollment processes for Medicaid and TANF are expected to create problems in identifying eligible recipients and enrolling them at the county level. There is concern that the pressures counties face to move welfare clients to work may take precedence over efforts to enroll eligible persons in Medicaid, and that once clients are no longer receiving TANF, they will not be informed of the availability of Medicaid benefits. The state is developing a new automated eligibility system, the Colorado Benefits Management System, which will include a separate Medicaid eligibility system that can interface with eligibility systems for other programs such as TANF and food stamps. Until the system is implemented, the state may allow sites other than county social services offices to determine Medicaid eligibility and enroll clients.

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**Teen Pregnancy Prevention**

The federal welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act, PL 104-193) requires unmarried teen parents to live with their parents or in an adult-supervised setting, includes monetary incentives for states to reduce nonmarital births, and sets aside funds...
for educational programs addressing sexual abstinence for youth. Colorado has expanded its prevention efforts in the areas of teen pregnancy.

Statewide policy and programs concerning teen pregnancy prevention are overseen by the Family Services Division of the Colorado Department of Public Health and Environment, which was just beginning to organize its response to welfare reform incentives at the time of the site visit in June 1997. A state working group includes representatives from state agencies with activities related to teen pregnancy and teen parenting, such as the Department of Health Care Policy and Financing, the Department of Education, and the governor’s office. A Governor’s Initiative on Teen Pregnancy Prevention, which was funded by private foundations, was active from 1987 to 1989, but the state legislature did not approve funding to continue the initiative. Since that time, teen pregnancy has not been as high a priority because the teen fertility rate in the state declined in 1991–92, and because prevention philosophies are controversial, making it difficult to reach consensus. The state working group has had some contentious meetings with representatives of organizations advocating abstinence-only approaches. These groups interpret program criteria more narrowly than the federal Maternal and Child Health program does in its guidelines for funding abstinence programs.

The state’s vision, as articulated by the Family Services Division, is that there is not one single strategy for preventing teen pregnancy—action is needed on many fronts. The Child, Adolescent, and School Health program within the Family Services Division is trying to build a network of teen pregnancy coalitions around the state. The state helps with data coordination and evaluation, education, and technical assistance to communities that want to start teen pregnancy coalitions. The Family Services Division produces an adolescent health report every few years, which is widely used. Although most state and federal money for teen pregnancy in Colorado goes to serve pregnant and parenting teens, the Family Services Division has been urging that more money be allocated to prevention. Using funding from the federal Maternal and Child Health program, the state has supported teacher training in sexuality education in which 75 percent of school districts have participated. Abstinence programs are a new addition to the state agency’s health education and prevention efforts. Colorado did accept federal money for abstinence-only programs and solicited proposals from local jurisdictions. The health department considers the incentive in the welfare reform law for reducing out-of-wedlock births to be in the jurisdiction of the Department of Human Services, and at the time of the visit, the two agencies had not met to discuss any responses to this incentive.

In the 1996 session, the legislature passed a provision allowing Medicaid to cover primary prevention (aimed at preventing at-risk behavior and first-time pregnancies) for 10- to 13-year-olds. Medicaid will reimburse providers for individual and group counseling, mentoring programs, teen companion programs, and other primary prevention efforts. One target group for the legislation is younger sisters of pregnant and parenting teens. State officials indicated that very few programs have taken advantage of this provision in Medicaid because
of the cumbersome process involved in obtaining reimbursement. The Family Services Division is informing communities about Medicaid coverage for primary prevention and encouraging communities to apply.

The Colorado Trust, one of the state’s major foundations, has played a key role in supporting community-based prevention efforts in the areas of teen pregnancy as well as teen violence. Its multi-year violence prevention initiative provides funds to about 30 communities for planning programs. The Colorado Trust is now in the fourth year of a five-year, $10 million teen pregnancy prevention initiative. The initiative provides case management for pregnant and parenting teens, as well as primary prevention. The Colorado Trust also supports an initiative based on the assets resiliency model developed by the Search Institute in Minneapolis, which emphasizes community assets and the involvement of the broader community in prevention efforts.
Some families require assistance for serious and immediate needs in addition to regular financial support. Child welfare services and emergency food and housing assistance are part of the state safety net that serves families facing internal strife or loss of basic needs. Colorado has allocated increased resources to child welfare, and reforms have been underway as part of a 1994 settlement agreement in response to a civil action initiated by the Colorado Lawyers Committee (CLC). The lack of affordable housing is a major problem in Colorado, particularly in the Denver area and in resort communities. Local governments are critical to ensuring the availability of last-resort safety net services. Denver City/County operates a General Assistance program that includes a substantial budget for motel vouchers.

Child Welfare

Unlike other state programs that may need to implement major changes under the new welfare reform legislation, Colorado’s child welfare system is already undergoing substantial reform and is unlikely to see further devolution of responsibility to the local level. The counties have always administered child welfare services in Colorado, but the 1994 Child Welfare Settlement Agreement (CWSA) brought stricter statewide standards. In addition, the settlement agreement ensured that certain funding streams would not be cut. CDHS must meet the requirements of the settlement agreement for one full year, and the state hoped to be in compliance by December 31, 1997. It appears that
the agreement will not be terminated as of December 31, 1998, as hoped, but compliance has been progressing in a number of major areas.

Reforms Resulting from the Child Welfare Settlement Agreement

At the time of the site visit in June 1997, the settlement agreement had already led to reforms within the state's child welfare program. The history of the court case and resulting settlement agreement begins in 1992, when the CLC formed a task force to investigate the state’s child welfare system. CLC concluded that neglected and abused children were increasingly at risk because the system had serious deficiencies. CLC reported that the system was severely understaffed, underfunded, and unable to provide necessary services. CLC also concluded that the situation justified a broad civil action suit against the state and counties challenging staffing, policies, practices, operations, funding, and protocols relating to abused and neglected children.

While CLC was conducting its investigation, CDHS and the counties were assessing the child welfare system. Rather than proceeding with costly and time-consuming litigation, CLC, CDHS, and the counties agreed to pursue a settlement agreement. When negotiations stalled, CLC initiated a civil action. The complaint sought declaratory and injunctive relief on behalf of the state’s foster children and children served by the child welfare system. The presiding judge dismissed the case but told the state to reach a settlement agreement with CLC and the plaintiffs. The parties eventually agreed on the provisions of the settlement agreement as a means of making the needed changes in the state’s child welfare system.

The settlement agreement specified a set of “core services” for children entering or leaving governmental custody. Counties had three years to implement the additions needed to provide all core services, which include mental health services; nonresidential substance abuse treatment; family preservation services; ongoing family therapy and intensive family treatment; special economic assistance and short-term financial aid; in-home supportive homemaker services and life skills; day treatment services and on-site education; group, individual, or family therapy; and aftercare services. In addition, all counties adopted a statewide risk-assessment tool, and the state mandated intake and investigation procedures and time frames. Improvements in mental health and substance abuse treatment are also important issues noted in the settlement agreement, and respondents during the site visit reported that interagency cooperation and service delivery in these areas have improved at both the state and local levels. The impact of the settlement agreement was great because it led to additional resources for the system, including increases in state funding, maximization of federal funding, and increases in the number of child welfare staff. In addition, the agreement brought statewide standards for service delivery, policies and procedures, and documentation and automation.

One of the state’s recent accomplishments with regard to child welfare services has been in the area of adoption. The settlement agreement mandated that...
CDHS create a task force and make recommendations in 1995 on redesigning adoption services. The task force decided that adoptive services should be mandated and offered statewide. Within two years of the start of the CWSA, all adoption policies, procedures, and protocols were revised in accordance with CWSA to ensure that they included specific and mandatory time frames for identifying children for adoption, achieving termination of parental rights, identifying and approving adoptive families, and finalizing adoptions. Practice guidelines were developed to address the special needs of older children to maintain contact with significant persons in their past, including siblings who may have been placed separately. In addition, a statewide program of postadoptive services and strategies to encourage the use of these services was developed.41

Other Current or Recent Initiatives

In addition to the reforms required by the settlement agreement, cost containment has been a driving force for state initiatives concerning the management and monitoring of child welfare services. Colorado recently passed H.B. 96-1180, which addresses the use of child placement agencies, and S.B. 97-218, which authorizes pilot projects implementing managed care of child welfare programs. State and local officials predict that these reforms are likely to have an impact on the state’s child welfare services in the next few years.

As is true in many other states, Colorado’s out-of-home placement expenditures have been rising dramatically over the past 10 years. Total payments for out-of-home placements increased from $33.1 million in FY 1985–86 to $101.9 million in FY 1995–96.42 The increase can be attributed in part to higher overall caseloads, but it is primarily due to the higher cost of individual placements. Reasons cited by CDHS for the higher cost per placement include policy changes and increases in the severity of problems exhibited by children. The proportion of children and youth placed in more intensive, higher-cost placements has increased at a much greater rate than caseload size. Residential treatment centers became higher-rate or higher-intensity service providers as a result of changes in Medicaid payment structure. Prior to FY 1990–91, counties received a capped allocation (i.e., counties received a set amount of funds from the state) for child welfare services. In 1991, the legislature removed the cap, basing its action on the premise that child welfare services are an entitlement.43 CDHS officials believe this move contributed to the increase in out-of-home placement costs, and S.B. 97-218 restored the capped allocation. Another response to the increase in costs was H.B. 96-1180, which mandated that CDHS begin implementing pilot projects to test and evaluate the utilization of child placement agencies or alternatives to them. Child placement agencies were established in the late 1980s in Colorado primarily to address the need for more supportive services and better payment rates for foster family placements. The purpose of the pilot program is to ensure cost-effectiveness and quality of placement services.

Passed during the 1997 legislative session, S.B. 97-218 mandates that CDHS implement pilot projects of managed care for child welfare services.44 Colorado’s managed care legislation defines geographic service areas and requires
projects to contract with an entity that assumes financial risks and ensures the
provision of case management and required child welfare services. Pilot proj-
etics will be established through performance-based agreements between the
state and the county (or group of counties). The performance-based agreement
translates county plans, service requirements, and expected outcomes into clear
and precise obligations. Performance-based agreements can specify the types of
problems and needs addressed, the mix of services provided, the cost of ser-
VICES, and individual and family outcomes. By sharing financial risks and
incentives, the pilot projects will allow the counties more flexibility under the
capped allocation to manage services and funds.

Five counties submitted proposals to CDHS, but only three counties were
awarded performance-based agreements to initiate a managed care approach
to child welfare services. The counties’ approaches to managed care vary; two
are targeting the entire child welfare population and the third is focusing on the
adolescent population. It is hoped that favorable results from the pilot coun-
ties will lead to statewide implementation of managed care.

Program Structure and Caseload

All programs for children, youth, and their families are consolidated in
CDHS. Prior to the reorganization in 1994 that created CDHS, the Department of
Institutions housed several programs for youth and their families.

The Office of Children, Youth, and Families is one of seven CDHS offices. The Office of Children, Youth, and Families is further divided into two divi-
sions—child welfare services and the division of child care. The state office pro-
vides technical assistance and oversight, especially oversight for the CWSA.

In fiscal year 1996, approximately 54,980 children in Colorado received
child welfare services. Child welfare services are delivered through the
63 county departments of social services. The counties are divided into
three categories based on caseload size and fiscal allocations—large, medium, and small. The 10 large counties are responsible for about 85 per-
cent of the state’s total child welfare caseload. County departments of social
services can either deliver child welfare services directly or contract with
other providers. Counties vary widely in terms of the degree of private con-
tracting for these services.

As part of CWSA, a total of 390 child welfare staff were hired over three
years. As in most states, child protective services are kept in-house, whereas
some family preservation services and parenting skills classes are adminis-
tered through contracts with private agencies.

Service Delivery

Since 1994, as a result of the settlement agreement, CDHS has emphasized
the availability and provision of core services to children and their families. All
the core services can be provided as alternatives to out-of-home placement or to prevent out-of-home placement, or in conjunction with out-of-home placement to expedite or assist with reunification. As of June 1996, all counties had implemented family preservation, in-home homemaker services, and aftercare services. Aftercare services are defined as any of the core services used to prevent further placement of the child. Mental health services, nonresidential substance abuse treatment, and ongoing family therapy were available in most of the counties as of June 1996.

At the time of the site visit one year later, counties were having the most difficulty implementing day treatment, and several counties had not yet implemented services providing special economic assistance and short-term financial aid. Day treatment refers to a variety of therapeutic services for children that do not require overnight stays or residential placement (e.g., on-site education, group and individual therapy, and family therapy). In addition to the above core services, child care is also available. Services are provided for less than 24-hour care to children who are at risk of out-of-home placement or children in placement because of abuse or neglect.

**Impact of Welfare Reform on Child Welfare Services**

State and local officials do not anticipate much change in child welfare services as a result of welfare reform until the termination of CWSA. Child welfare funding will not be affected by welfare reform for the time being, but respondents did mention a few potential issues with regard to welfare reform. State and local officials thought that teen parents who were not in school might be the most affected because of the school attendance requirement. They suggested that creativity will be needed to find suitable options for these teens, such as providing education services at public housing facilities.

Welfare reform is not expected to generate additional problems from inappropriate or lack of supervision because of the relatively large amount of funding being allocated to child care. However, some child welfare workers expressed concern that welfare reform would increase competition for subsidized child care funds because there will be an incentive to provide child care funding to TANF recipients rather than to relatives caring for children in the child welfare system. A recent example shows how the appropriation of child care monies has affected families receiving child welfare services. A January 1997 state mandate temporarily terminated all child care subsidies for foster families because of a lack of funds. In March 1997, the Denver County Department of Social Services decided to continue its policy of not providing subsidized child care for foster families regardless of the state mandate because the money was needed for child protective services. Reporting on their early experiences with this change, Denver County officials indicated that potential foster families were declining to participate when they learned there were no child care subsidies. Overall, however, as welfare reform is being implemented, CWSA and other state reforms have greatly improved the safety net for families in the child welfare system.
Emergency Services and Housing

According to providers of housing and homeless services interviewed during the site visit, Colorado faces a growing homeless population and a continued shortage of affordable housing. The state’s booming economy has brought thousands of families to Colorado each month, and most of these families arrive in Denver. Respondents described the following scenario: When people arrive seeking jobs, they find that their skills are inadequate for the available jobs. Some families stay in a motel at first, because they cannot afford to pay the first and last month’s rent as well as a deposit. They wind up homeless when they can no longer afford the motel bill. The state and local jurisdictions have expanded emergency shelter capacity, but longer-term options that move this population toward self-sufficiency remain a challenge.

The number of homeless people in Colorado increased by 18 percent between 1990 and 1995. In 1995, there were an estimated 4,400 homeless people in Colorado, concentrated heavily in the six-county Denver metropolitan area. About 20 percent list domestic violence as their primary or secondary reason for being homeless. An August 1995 survey by the University of Colorado at Denver found an average of 3,330 homeless people in the Denver metropolitan area on any given night; almost one-third (1,050) were children in homeless families or living on their own. Of the homeless people counted by the survey, 42 percent lived in emergency shelters, 37 percent in transitional housing (providing a combination of housing and services for a limited time to help residents achieve housing stability), and 17 percent (550) on the street. Of the homeless children, 30 percent lived in emergency shelters, 68 percent in transitional housing, and less than 1 percent lived on the street. The survey also counted 140 people doubled up with friends or family.

The state plays a relatively limited role in serving the homeless. The Coordinating Council on Housing and the Homeless, which includes representatives of nonprofit organizations and state agencies, plays a role in distributing federal McKinney funds. Colorado provides no state funding for affordable housing development. Governor Romer proposed $10 million for affordable housing, but the legislature defeated the proposal in the 1997 session.

Local Capacity and Services

In Denver, the homeless population has grown, but the area’s capacity to serve the homeless has increased as well. Services in the Denver metropolitan area are focused primarily on emergency and short-term needs. Resources to prevent homelessness, such as subsidies to provide housing stability and ongoing services and supports to improve self-sufficiency, are more limited.

Denver’s GA program provides food, shelter, and transportation to individuals in a temporary emergency situation and to homeless individuals. The largest portion of the Denver GA/homeless budget (other than burial assistance)
is the motel placement program that provides motel vouchers to individuals in emergency situations. This assistance is limited to four vouchers per year per person. Use of this program has increased substantially over the past three years, reflecting Denver’s housing crisis. In 1994, the county spent $117,000 on vouchers, while in 1996, it spent more than $190,000.50

Most services to the homeless in Denver are provided by private agencies. The Metropolitan Denver Homeless Initiative (MDHI) was formed in 1994 as a collaborative of more than 400 member organizations. MDHI has worked with federal, state, and local agencies to obtain funding and develop long-range plans to end homelessness and “offer opportunity to persons who are homeless or at risk of homelessness.” MDHI has been involved in the development of 753 transitional, permanent, and single-room-occupancy housing units. University of Colorado researchers have noted the expansion of transitional housing capacity in Denver and its suburbs as an important accomplishment.51

MDHI has also been working with the Colorado Department of Human Services to develop a Computerized Homeless Information and Referral Process (CHIRP), funded with a grant from the U.S. Department of Housing and Urban Development. CHIRP is designed to promote provider collaboration, to track the effectiveness of the continuum-of-care model that provides services to assist persons in moving from emergency services to permanent housing, to monitor system capacity, and to refer consumers to appropriate services.52

The need for affordable housing remains high in Denver despite the increase in the capacity of the emergency shelter system and the development of new transitional and permanent housing. Over the past few years, housing demand has outstripped supply throughout the state, but the market is especially tight in Denver, its suburbs, and remote resort areas. While the state has a relatively new housing stock, with little substandard housing, rents and housing prices continue to increase.

The tight housing market has also led to long waiting lists for public and subsidized housing. In 1995, the Denver Housing Authority instituted a lottery system to replace the waiting list system, because the average wait for public housing was two and a half years. The last drawing for the Section 8 rental subsidy program received 3,000 applications for only 200 units. Denver has been aggressive in creating affordable housing. Local homeless advocates have worked hard to secure funding for conversion of the decommissioned Lowry Air Force Base to affordable housing development. Through a combination of federal, state, and local funding, an estimated 602 units of affordable housing will be developed in association with the Lowry project.53
Innovations and Challenges

The previous sections describe programs and services for low-income families and demonstrate that the context for welfare reform in Colorado includes an existing safety net of income support, health, and social services for the most vulnerable; a good economy; a strong county role in policy development and program administration; and a belief in individual responsibility. However, the state continues to grapple with a number of challenges. Several government reforms that were in place before welfare reform, such as spending limits and changes in the child welfare system, will affect how low-income families fare in the coming years. Affordable housing may also be an area of continuous concern as more families leave welfare for the labor market. This section looks at some of the systemic changes in service systems and governance that are under way in Colorado and the challenges they present for the future.

Colorado Works

Federal welfare reform legislation was the impetus for the passage of major welfare reform legislation in Colorado, though Senator Mike Coffman (R), whose legislation eventually prevailed, had proposed welfare reform legislation in 1995 and 1996. Coffman’s earlier bills were written with little input from advocates, state and county agencies, or others prominent in the welfare dialogue. Following the second defeat, Coffman changed his course and sought input from a broad range of groups, including AFDC caseworkers and recipients, with the hope of achieving consensus before the legislative session. Coffman based his bill on what he learned from his travels across the state in combination with his own belief that changing the culture of welfare by
replicating “real life” as closely as possible would help recipients become self-sufficient. Thus, he devised a bill that did not concentrate on behavior but rather on outcomes.

The primary goal of the bill was to shift the emphasis of Colorado’s AFDC and JOBS programs from encouraging education and training as a means to achieve self-sufficiency to a TANF program that stressed work first by imposing work requirements, time limits, and stricter sanctions. This shift in focus was brought about not only by PRWORA but also by Colorado’s healthy economy, which is burgeoning with jobs in some areas, and by the prevailing belief that recipients should be required to participate in work activities in order to receive assistance. Coffman’s bill also reflected continued confidence in the role of generous supportive services in ensuring that a recipient would become independent of cash assistance. Nearly every provision of the new bill was considered from the standpoint of increased county flexibility. Although most legislators agreed with the substance of Coffman’s proposed bill, two competing bills were offered to highlight the issue that would come to dominate the welfare debate: the degree of devolution that would occur in the county-administered system.

Governor Romer proposed significant streamlining of TANF, including a provision that the state Department of Human Services, rather than the county departments of social services, administer the TANF program. House Speaker Chuck Berry (R) proposed total devolution of the TANF program to the counties. Under Berry’s scenario, counties would be responsible for setting benefit levels and eligibility standards and establishing work requirements. Both Coffman and Romer worried that such an extreme level of devolution would lead people to migrate to certain counties that had generous welfare policies. Romer feared that a “race to the bottom” would ensue, leaving many Coloradans without a safety net. Coffman feared some counties would be too generous, not reflecting the work-first philosophy that PRWORA embodied. While the state legislature debated the devolution issue, Romer threatened to veto any bill that did not include some basic safety net provisions. Thus, a compromise was reached. Coffman’s bill embraced a large degree of Berry’s devolution philosophy by including a block grant to the counties. It also heeded Romer’s request that the state retain uniform eligibility standards and benefit levels to ensure a universal minimum safety net. The legislation was signed in June 1997, and Colorado Works implementation began in July 1997.

Table 4 compares key provisions of Colorado Works with the state’s pre-welfare-reform program and summarizes county options. Core eligibility requirements remain the same, with the addition of requirements mandated by PRWORA. The resource limits for eligibility were increased to $2,000 and the value of one car. In addition, according to federal mandate, teens are required to live in an adult-supervised setting, and minor parents are required to attend high school or a GED program to qualify for assistance. Colorado Works recipients are limited to 60 months of assistance. Colorado followed the
Table 4  Comparison of Welfare Reform before and after Colorado Works

<table>
<thead>
<tr>
<th>Provision</th>
<th>AFDC</th>
<th>State Requirements</th>
<th>County Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Limit</td>
<td>$1,000</td>
<td>$2,000</td>
<td>State requirement prevails</td>
</tr>
<tr>
<td>General Eligibility</td>
<td>Set by federal government</td>
<td>Set by federal and state governments; same as before TANF</td>
<td>State requirement prevails</td>
</tr>
<tr>
<td>Benefit Level</td>
<td>$356</td>
<td>$356; set by state</td>
<td>$356 and county may provide supplemental assistance (including cash) to “promote sustainable employment” *</td>
</tr>
<tr>
<td>Diversion of Potential Recipients from Starting Welfare</td>
<td>No program</td>
<td>The state established eligibility and participation requirements (e.g., sign an individual responsibility contract [IRC]) for the optional state diversion program; counties may not offer payments in excess of six months of assistance payments.</td>
<td>Counties have the option of offering a diversion program and the form of payment to participants is optional. Counties may also design a special diversion program for the noneligible population. Counties set the period of time in which an eligible participant who received diversion cannot apply for assistance.</td>
</tr>
<tr>
<td>Lifetime Benefit Receipt Time Limit</td>
<td>None</td>
<td>Set by federal and state governments; five years. State established exemptions.</td>
<td>State requirement prevails</td>
</tr>
<tr>
<td>Work Requirement Time Limit</td>
<td>None</td>
<td>Recipients must participate in work activities for at least 20 hours each week within 24 months of receiving assistance.</td>
<td>State defines minimum requirements; counties may shorten time limit or increase hours requirement.</td>
</tr>
<tr>
<td>Exemptions from Work Requirement</td>
<td>JOBS exemptions: disabled, caretaker of disabled child, child under 3</td>
<td>Determined by counties</td>
<td>Counties define exemptions, including age of youngest child exemption (may exempt up to one year of age). May waive any program requirements, except work requirements, for domestic violence victims.</td>
</tr>
<tr>
<td>Individual Responsibility Contract and Assessment</td>
<td>Required only of JOBS participants</td>
<td>Counties are required to assess and enter into an IRC with clients limited to matters related to securing and maintaining education, training, and work.</td>
<td>Counties design assessment process. Counties may address barriers to employment in the IRC if the barriers are directly related to the recipients’ efforts to participate in work activities.</td>
</tr>
<tr>
<td>Sanctions for Noncompliance with Child Support, Colorado Works Activities (Not Related to Work and Training), and Immunization Requirements</td>
<td>Adult’s needs removed</td>
<td>First sanction: 25 percent of cash grant for 1–3 months. Second sanction: 50 percent of cash grant for 1–3 months. Third sanction: termination of assistance for 3–6 months.</td>
<td>Counties determine length of sanction within parameters set by state.</td>
</tr>
</tbody>
</table>

(continued on p. 62)
federal lead and ended the entitlement of AFDC, so the cash benefit level in the future is subject to available appropriations.

The Colorado Works legislation mandated that counties assess all applicants and recipients and enter into an individual responsibility contract (IRC) with each recipient. The IRC defines the terms and conditions under which participants receive assistance, and it primarily relates to employment goals. The IRC is mandatory, but counties may design their own assessment tools and contracts as long as they fall within certain boundaries. For instance, because Senator Coffman did not want Colorado Works to mandate certain types of behavior, the law states that the IRC is to be limited in scope to matters directly related to seeking and maintaining education, training, or employment. A county cannot mention such behavioral issues as substance abuse in the IRC unless these issues are directly related to the recipient’s ability to obtain employment. The absence of strategies to overcome personal barriers to employment (such as substance abuse, mental health needs, or parenting issues) in the IRC does not represent a reversal of Colorado’s dedication to providing supportive services when needed. Rather, it is a decision to manage such barriers outside the IRC process. The state hopes that counties will identify and solve challenges to employment through intensive assessment and generous supportive services.

**County Options**

Beyond eligibility and benefit issues, Colorado counties have substantial discretion in crafting their Colorado Works policies. The Colorado Works legislation and rules provided parameters for some provisions while leaving others entirely to the counties. For example, counties may decide whether to offer a diversion program, but if they do they must obey certain state rules. (An example of these rules is that the diverted client must sign an IRC and may not receive a lump-sum payment worth more than six months of cash benefits.)
Counties may determine how the diversion assistance will be provided—through cash, supportive services, housing, or transportation. The legislation also gave counties the choice of offering diversion programs to applicants not eligible for cash assistance under Colorado Works.

The people interviewed expect a great deal of variation in how counties implement work requirements under Colorado Works. First, counties may design and implement their own education, training, and work programs from a menu of mandatory and optional components. For instance, they have the option of offering a community service program. Second, counties may determine when recipients will go to work within the 24-month federal requirement. In addition, they may decide who is exempt from the work requirement and determine if good cause exists for failure to participate. The legislation did not specify whether mothers of children under age one would be exempt, so this decision is left to the counties. Counties may also provide any form of assistance in addition to the cash grant that is intended to promote long-term employment, including, but not limited to, supportive services and additional cash. For example, counties may offer incentive payments to clients who secure employment or may provide transportation assistance until a recipient with a job has earnings that exceed eligibility levels. Some counties are even providing relocation assistance to encourage recipients to move to counties where there are greater opportunities for employment.

The state defined client penalties for noncompliance with Colorado Works, but counties have some discretion in designing sanctioning policies. The state also defined sanctions for noncooperation with child support enforcement and established immunization requirements, while allowing counties flexibility in implementing the sanctions. On the first instance of noncompliance, a family is sanctioned 25 percent of its grant for at least one month until compliance but not more than three months. If the family fails to comply a second time, the family is sanctioned 50 percent with the same stipulations. On the third instance of noncompliance, the family’s cash benefit is terminated for at least three months but no more than six months. Although the state defines sanction levels, it gives counties considerable discretion in implementing sanctions for families that fail to participate in education, training, or work activities. Counties determine the circumstances that result in a sanction and decide when to impose and remove the sanctions, within state parameters. In addition, counties define and determine whether good cause exists for not sanctioning a client. Counties may decide the severity of sanctions, including a denial or termination of cash assistance. This provision, combined with the flexibility to determine when a recipient will participate in work activities, gives counties considerable responsibility in designing how work requirements will affect their Colorado Works caseloads.

The degree of diversity is most visible in county plans for structuring their work-oriented components and requirements. Even the five-county metropolitan Denver area varies greatly in how soon welfare recipients are required to participate in work activities. Arapahoe County, which includes a portion of
suburban Denver, requires most recipients to have a 30-hour-per-week job or job training within 60 days of signing an IRC, but Denver does not require such participation until recipients have reached their 24-month federal trigger. Weld County, which is just beyond the metropolitan area, is requiring all participants who are employed part-time to seek full-time employment. Some counties require mothers to seek work 12 weeks after the birth of a child, while others allow mothers to wait until their child has reached age one.

Each county had the option to design and implement its JOBS program prior to welfare reform, so the organizational structure of nearly every program differs, and this diversity persists under Colorado Works. For example, Adams County has contracted out the responsibilities of all employment-oriented case managers, including those formerly responsible for JOBS. Other counties are combining the roles of eligibility manager and case manager, and still others are replacing eligibility line workers with case managers who have significant experience in conducting in-depth assessments.54

As part of the legislative compromise with Speaker Berry, the Colorado Works legislation includes a provision that allows counties to apply for waivers from Colorado Works rules and certain statutory requirements, similar to the waivers states could receive from the federal government before PRWORA. Statutes and rules pertaining to eligibility, the amount of the basic cash assistance grant, the county maintenance of effort, and a participant’s right to appeal may not be waived. All waivers will be reviewed by the Colorado Department of Human Services and the governor’s office. Administrators at CDHS hoped that they would not receive a deluge of waiver requests in the first year, because they wanted to give the Colorado Works legislation the opportunity to be implemented as it was written; but they were open to approving waivers for innovative, experimental projects.

Devolution of Responsibility to Local Governments

Colorado has always had a decentralized system for the delivery of income support and social services in which counties played a major role, but Colorado Works embraces the concept of devolution to a degree that is truly changing the relationships between the state and counties. The debate over county control that surrounded welfare reform legislation in Colorado reflected an underlying lack of trust between the state and the counties. A number of state officials conceded that, in an effort to ensure some uniformity and equity in a decentralized system, the state had micromanaged counties in the past, using the rulemaking process to ensure compliance. The state is now adjusting to becoming a technical assistance partner in the implementation of welfare reform. The state considers itself a watchdog for clients’ rights but also hopes to foster an environment that encourages local innovation. One example of the extent of this change is that the state regulations for welfare shrank from 141 pages under AFDC to 21 pages under Colorado Works.
The debate over performance contracts highlights the push and pull between the counties and the state for flexibility and control as the state experiments with devolution. All Colorado counties were required to submit their county operational plans for implementation of Colorado Works by October 1, 1997. These plans were similar in structure to the state TANF plans that were submitted to the federal government but were more specific, providing details of program components that were left to county discretion. The state was then to review and approve or disapprove the plans. After the operational plans were approved, each county was to sign a performance contract that would outline its responsibilities under Colorado Works. An example of a performance contract item is the county’s work participation rate. Counties could be sanctioned for noncompliance with the contract. However, counties refused to sign the performance contracts and spent fall 1997 negotiating with the state regarding what the contracts should include.

One of the counties’ principal complaints was that the contracts would legally change the relationship between the state and county by making the counties independent contractors to the state. In addition, many counties did not want CDHS to have the power to approve or disapprove county operational plans. The power of the state to sanction the counties also drew fire. By winter 1998, counties had agreed to enter into memorandums of understanding (MOUs) with the state, which would not be as legally binding as performance contracts. The MOUs stipulate that the state simply review the operational plans rather than have veto power. As of January 1998, the counties had yet to sign the MOUs because the state and counties were trying to reach a compromise regarding the sanctioning of counties for failure to meet work participation rates. The absence of a performance contract or MOU has not prevented counties from implementing their Colorado Works plans, but some county officials are worried about how the final MOU will affect decisions they have already made. In addition, some respondents fear that the negotiation effort could slow the state’s implementation efforts.

Another area of debate between the state and the counties is maintenance-of-effort (MOE) funding requirements under TANF. Colorado Works is funded jointly by federal, state, and local funds. Currently, counties receive a block grant equal to the total state and federal funds they received in FY 1994–95 for AFDC, the Colorado Personal Responsibility and Employment Program, and JOBS, including administrative costs. Each county is required to spend 100 percent of what it spent on AFDC and JOBS in 1995–96. Several county officials have criticized this provision, and it was revisited in the 1998 legislative session. Some counties wanted to decrease the MOE requirement because they did not believe they should maintain 100 percent of their previous expenditures with caseloads continuing to decline, and they wanted to reallocate the money elsewhere, such as to child welfare. Other counties believed it would be unwise to decrease the county level of commitment when people who are left on the rolls may need more intensive and costly supportive services to secure employment.
The state legislature decided to reduce the total state MOE requirement from 92 percent to 81 percent, which saves the state approximately $11.9 million. The state used $3.6 million of the savings to give counties a 9 percent reduction in their MOE requirement for state FYs 1997–98 and 1998–99. Although counties are required to appropriate 100 percent of what they spent in state FY 1995–96 on welfare each year, in 1997–98 and 1998–99 they are required to spend only 80 percent of what they spent on welfare in state FYs 1993–97. The difference between the appropriation and what is actually spent (or real expenditures) is to be placed in the county’s social services fund.

The Colorado Works legislation established two reserve funds, reflecting the state’s fiscal conservatism. A short-term emergency fund will assist counties that are inadequately funded, such as counties that previously did not have a JOBS program, counties with increased TANF caseloads, or counties that negotiate a higher work participation rate than required by federal law. The state also created a long-term reserve fund to protect itself against future economic downturns. Counties are also encouraged to maintain their own reserve funds.

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**Child Care System Challenges**

Key child care issues in Colorado are quality, staffing, supply, and barriers to integrating the services of full-day child care programs and part-day child development programs. Despite the state’s commitment to children and to child care, child care administrators and advocates are still seriously concerned about the quality of services. State-level administrators of child care programs reported concerns about the poor quality of subsidized child care for children at all age levels, but particularly for younger age groups. The child care community is increasingly concerned about its ability to recruit qualified staff. As the labor market heats up, it is harder for child care providers to recruit and retain workers while child care wages remain low. Providers worry about whether they will be able to attract sufficient staff to maintain licensing. Child care teachers are poorly paid—in Colorado, the average annual salary of early childhood teachers is $12,615; for assistant teachers it is $10,400. In most cases, early childhood personnel receive few if any benefits. As a result, turnover rates are very high—51 percent annually for those working in child care centers and 60 percent for those in family child care homes. Approximately 38 percent of staff at child care centers have no training related to early childhood education.55

Respondents reported that the child care system is increasingly hard-pressed to serve all the children requiring care. Concerns regarding supply focus on infant and toddler care. A growing number of Coloradans do not work traditional work weeks—many work evenings, weekends, part-time, or split shifts, and many employers require overtime. Child care at night and on weekends is in very short supply, and welfare reform may intensify the need for such nontraditional care.
Colorado has successfully integrated funding streams and services for child care subsidy programs and is now addressing the broader range of programs for young children. Integration of child development, preschool, and day care services is a particular concern in Colorado, where the state has focused considerable attention on the importance of early childhood development. Thus, policymakers and the public realize that quality child development programs (typically provided as part-day programs) and child care for working parents should not be two separate systems. Different agencies administering programs, categorical funding, and different standards and monitoring systems create barriers to the integration of early childhood programming. It is difficult to blend funding, serve children in a common location, consolidate paperwork, and support communities’ need to care for their children. Efforts to integrate services include increasing flexibility in child development and preschool programs to better accommodate welfare-to-work. The pilot programs to promote blended funding and program integration in child care and child development services that were authorized by the legislature in 1997 represent a start toward systemic change in the organization and funding of early childhood programs.

Serving the Hardest to Employ

State administrators and service providers in Denver indicated that those left on the welfare rolls during this period of low unemployment rates and a healthy economy are the hardest to serve with respect to barriers to employment. Those who have been unable to obtain jobs in the current economy are more likely to have limited education and work skills. When the Denver Department of Social Services conducted its assessment of TANF recipients as required under Colorado Works, nearly 30 percent of the caseload did not participate in the assessment, which meant they would be dropped from TANF. Staff at the Denver Department of Social Services attributed this response rate to the good job market. Since recipients knew they would be required to complete an individual responsibility contract and find work, the assumption is that those who could readily find work simply bypassed the assessment process and found work on their own. Analysis of data from the assessment indicates that the number of people assessed as job-ready is relatively small—most recipients cannot immediately be placed in jobs but will need additional services or training. A large portion of the remaining Denver caseload will probably reach the 24-month deadline before being job-ready. Denver is investing in intensive case management for a large portion of its caseload and pursuing plans to offer work activities plus education and training in order to meet the participation rate requirement.

Stronger linkages will be needed between the employment and training system and the social services system to better serve those who need intensive employment services. Traditionally there has not been much coordination between these systems at the state level. At the local level, JTPA agencies and their subcontractors have focused on groups that already had GEDs and did not
face substantial personal barriers to employment. Colorado faces the challenge of enhancing its service system to meet the needs of the hardest to employ. The state anticipates increasing coordination between the social services system and the emerging consolidated employment and training system, including working more closely with employers, community colleges, and community-based organizations. Denver has expanded its own Department of Social Services employment center, which will become a one-stop career center.

Other Implications of the New Federal Welfare Reform Legislation

Federal welfare reform legislation was the stimulus for passage of major welfare reform legislation in Colorado. The welfare reform debates focused more intensely on Colorado’s own particular interpretation of devolution and the role of counties than on the specific requirements of the federal legislation. However, some areas of the federal law require state action and, as implementation proceeds, other areas will pose challenges for Colorado. They include compliance with federal participation requirements, child support provisions, and provisions affecting immigrants.

Compliance with Federal Participation Requirements

Although the federal welfare reform legislation supports devolution, meeting federal TANF funding and work participation requirements necessitates some uniform standards and reporting at the state level. The decentralized nature of Colorado’s welfare reform program creates difficulties with respect to compliance.

Colorado is implementing a statewide system for tracking work participation rates. Counties disagreed with early figures reported by the state and, as noted in the dispute over the memoranda of understanding, counties do not believe that they should be sanctioned for not meeting participation rates. Furthermore, since counties define exemption from the work requirement and work requirement time limits, it is difficult to envision how statewide figures will be presented. The federal legislation was not structured with state-to-local devolution in mind. Exemptions for mothers with children under age one are an example of this problem. The federal law requires that a state choose whether to exempt such mothers, and the decision applies across a state in computing participation rates. Some counties in Colorado will include mothers with children under age one and some will exempt them, but the state’s participation rate will include all of them.

Devolution to counties also introduces a new level of complexity to the state’s management information system. The current system is not designed to take into account county-specific policies. At the time of the site visit, several respondents were concerned about the capability of the state system to track
sanctions across counties and thought the system’s deficiencies would create additional manual work for caseworkers. CDHS officials acknowledge that the data system is an immediate priority, but the counties are pessimistic about the state’s ability to solve the problems quickly.

**Child Support**

Although Colorado has emphasized administrative processes rather than court involvement for several years, some of PRWORA’s policies that are geared toward more centralized and standardized case processing are difficult to implement in a county-administered system, such as Colorado’s, that encourages innovation and experimentation at the local level. Colorado passed child support legislation in 1997 to bring the state into full compliance with PRWORA requirements. Many legislators viewed the child support provisions in PRWORA as increased government interference in individuals’ lives. Despite earlier legislative reforms in child support enforcement, the state had not passed legislation related to reporting new hires, placing liens on property, or matching child support and financial institution data. According to state respondents, the federal legislation mandating the enactment of these provisions displeased several state legislators. They interpreted the requirement as Washington interfering in Colorado’s business and imposing policies that were successful in some eastern states on the rest of the country. New-hire reporting had previously failed because several legislators thought it required too much effort by business for the payoff. They anticipated finding a small number of absent parents, but state administrators are optimistic that new-hire reporting will increase collections. The 1997 Colorado child support legislation also allows for professional, occupational, and recreational licenses to be suspended or revoked for failure to cooperate; permits counties to require noncustodial unemployed parents to participate in work activities; and eliminates the provision allowing TANF families to keep the first $50 of child support collected.

**Implications for Immigrants**

The federal welfare reform law contained a number of restrictions on benefits to immigrants. For the first time, receipt of public benefits became dependent on citizenship status, not legal presence. The law created a new status category, “qualified aliens,” which determines whether or not non-citizens are eligible for benefits. The welfare reform law made most qualified aliens (legal immigrants) already residing in the United States ineligible for SSI and food stamps, and it barred immigrants entering after August 22, 1996, from receiving federal means-tested benefits for five years after entry. Subsequently, the federal Balanced Budget Act (H.R. 2051) restored SSI benefits to all elderly and disabled legal immigrants who were receiving SSI on or before August 22, 1996, and restored eligibility for disabled immigrants only (not elderly nondisabled) who entered the United States before August 22, 1996, but applied for benefits after August 22, 1996. Legal immigrants entering the country after August 22, 1996, remain ineligible, and food stamp cuts in the federal welfare law still apply.
Colorado continued its commitment to providing a safety net for legal immigrants with the passage of S.B. 97-171 during the spring 1997 legislative session. A number of community-based organizations and advocacy organizations were active in the debate leading to passage of the bill, and their efforts were coordinated by the grassroots Immigration and Policy Action in Colorado Task Force (ImPACT).

In accordance with PRWORA, S.B. 97-171 continued eligibility for TANF and Medicaid for legal immigrants entering the country on or before August 22, 1996. Legal immigrants entering after that date are banned from receiving TANF or Medicaid for five years under both federal and Colorado law. The Colorado bill also continued eligibility for the state’s Old Age Pension (OAP), Aid to the Needy and Disabled (AND), and Aid to the Blind (AB) programs, regardless of citizenship or date of entry. These programs provide a minimum monthly income to the elderly and disabled and would have been a substitute for SSI had the U.S. Congress not restored these benefits for some immigrants in the 1997 Balanced Budget Act. For immigrants entering after August 22, 1996, who did not have eligibility restored by the Balanced Budget Act, state-funded OAP, AND, and AB benefits will replace SSI in Colorado.

S.B. 97-171 did not replace the Food Stamp program, but it did appropriate $2 million for fiscal year 1997 in emergency assistance for immigrants losing eligibility for federal benefits. Counties will deliver this emergency assistance out of a single state funding pool.

S.B. 97-171 failed to include $400,000 in proposed naturalization funding. But the bill did include two controversial sponsorship provisions: (1) Sponsors’ incomes should be included with immigrants’ incomes when determining eligibility for OAP, AND, and AB; and (2) anyone sponsoring an immigrant may not receive public assistance in Colorado. The first provision is likely to be challenged as a violation of the state constitution, which allows no restrictions other than age and residence to be placed on OAP benefits. The second provision may violate the U.S. Constitution, because regulations concerning sponsorship of immigrants are a federal, not a state, responsibility.

Administration of services to immigrants, especially refugees, is highly centralized in Colorado, where 90 percent of refugees and most immigrants live in the Denver metropolitan area. The Colorado Refugee Services Program (CRSP), housed in CDHS, administers refugee assistance and coordinates the Colorado Citizenship Campaign, an informal network of privately funded citizenship providers. CRSP also determines immigration status relevant to eligibility for benefit programs through the Immigration and Naturalization Service’s Systematic Alien Verification for Entitlement (SAVE) database because SAVE provides accurate information on citizenship status. CRSP uses SAVE to track noncitizen applications for federal and state benefit programs. County departments of social services pass on information about noncitizen applicants to CRSP, where staff then verify immigration status.
A healthy economy with low unemployment and a budget surplus places Colorado in a favorable position to change the culture of welfare and improve the long-term prospects for low-income families. The good economy also brings challenges to welfare reform, because those needing assistance in finding jobs face more barriers to employment, including low skill levels and lack of experience in the workforce. Employers may be more willing to train workers in a tight labor market, but to serve those most in need, the state needs to forge stronger linkages between the social service and workforce development systems. Newcomers, attracted by job opportunities in the state, stress the capacity of the affordable housing market.

Changes in the relationship between the state and its counties are offering the opportunity for innovation and creating one of the nation’s most comprehensive experiments in devolution. Locally tailored approaches may encourage better use of county resources and the development of personalized service. However, innovation may become stagnation if energies are diverted to the power struggle between the state and the counties rather than to cooperative support for effective initiatives to promote self-sufficiency.

Finally, term limits may affect the course of social policy because new leadership will need time to learn the issues and chart its own policy directions.
Notes

1. Parts of the following section are adapted from a background paper prepared by Peggy Cuciti of the Center for Human Investment Policy, University of Colorado, Denver, the local collaborator for Assessing the New Federalism in Colorado. This paper is subsequently cited as Peggy Cuciti, “State of Colorado Background Paper.” Center for Human Investment Policy, University of Colorado, Denver, June 1997.


6. Because Food Stamp benefit amounts depend on income, including cash welfare benefits, Food Stamp benefits are greater for recipients residing in states with low welfare benefits.


10. Caseload information from the Colorado Department of Human Services.


13. The counties without JOBS programs were primarily rural and included approximately 3 percent of the AFDC caseload.


15. Referred to as Job Service (JS) in Colorado, Employment Service is a federal program authorized by the Wagner-Peyser Act that provides general labor market information and assistance to members of the labor force in need of jobs.


17. According to a June 1997 draft executive order, CDLE will set policy, develop performance standards, and allocate funds for career centers, in consultation with CWCC.


22. The One-Stop Career Center grant program, administered by the Employment and Training Administration, U.S. Department of Labor, provides funding for planning and implementing centers that offer employment services, including access to education and training, through a single delivery system.


24. This program, funded under the federal School to Work Opportunities Act of 1994, helps states and localities build customized systems that include classroom instruction based on high academic and occupational skill standards; work experience, structured training, and mentoring at job sites; courses that integrate classroom and on-the-job instruction; services that match students with participating employers; and other strategies to build and maintain pathways between school and work.

25. Governor Romer’s August 5, 1996, letter to Workforce Coordinating Council members.


28. In 1998, this credit was expanded and made refundable.


30. As of summer 1998, all but one of these recommendations had been accomplished.


32. Division of Child Care, Colorado Department of Human Services, Policy Manual for the Low-Income Child Care Assistance Program.


38. Cooperating with child support could put some current or past victims of domestic violence at risk of renewed abuse without better protections in place. The Family Violence Option of PRWORA allows those states opting to do so to screen for domestic violence, refer to specialized services, and provide temporary exemptions from program requirements to enable battered women to have the time, services, and supports they need to address their domestic violence barrier to self-sufficiency.


44. Many states, including Colorado, increasingly define the child welfare system as an integrated array of services, requiring a different way of looking at cases earlier in the delivery process. Rising out-of-home placement costs in Colorado and other states have necessitated changes in the delivery of placement services, with increased emphasis on up-front intensive assessments and services, aftercare and transition services, and the provision of alternative services where feasible. A managed care approach offers a way to provide an integrated continuum of services in a cost-effective and accountable manner. One of the basic principles of managed care is to distribute the financial risk for serving high-need individuals and families across the largest possible population. Thus, there is a financial incentive for serving the entire eligible child welfare population and providing preventive services for those who are at risk in order to reduce the use of more costly services.


47. Franklin James, “Patterns of Homelessness in the Denver Metropolitan Area: August 1995.” Graduate School of Public Affairs, University of Colorado, Denver, April 1996.


50. Denver Department of Social Services, Division of Homelessness and General Assistance.

51. Franklin James, “Patterns of Homelessness in the Denver Metropolitan Area: August 1995.” Graduate School of Public Affairs, University of Colorado, Denver, April 1996.


53. Ibid.


55. First Impressions, Colorado Governor’s Office, “Colorado Child Care Brief,” September 1996.

56. Although those who did not participate in the assessment were dropped from the welfare rolls, about half of those who were dropped reapplied and had their benefits restored. According to a February 1, 1998, *Denver Post* article, Denver’s caseload declined by 13 percent from July 1997 to January 1998.

57. January 1998 follow-up interview. Refers to analysis of assessment data conducted by the University of Denver.
APPENDIX

List of Interview Sources

State-Level Respondent Agencies/Organizations

Colorado Department of Labor and Employment
  Division of Employment and Training
  Employment Programs

Colorado Department of Human Services
  Executive Staff
  Division of Child Welfare
  Division of Refugee Services
  Division of Child Care
  Office of Self-Sufficiency
  Division of Child Support Enforcement
  Employment First
  Work Programs

Colorado Department of Education
  Prevention Initiatives

Colorado Department of Public Health and Environment
  Child, Adolescent, and School Health Program
  Division of Family and Community Health Services

Governor’s Office
  Chief of Staff
  Colorado Workforce Coordinating Council
  Office of State Planning and Budgeting
  Office of Policy and Initiatives
  Responsible Fatherhood Initiative
  Children’s Issues
  Office of Advocacy and Outreach
  One-Stop Career Centers

Colorado Legislature
  Joint Legislative Budget Committee
  Speaker of the House
  Individual Representatives and Senators

Colorado Counties, Inc.
Denver Respondent Agencies/Organizations

Piton Foundation
   Denver Work Initiative

Denver Public Housing Authority
   Intergovernmental and Community Affairs

Denver Department of Social Services
   Executive Staff
   Division of Self-Sufficiency
   Division of Family and Children’s Services
   Homeless, General Assistance
   Child Welfare
   Emergency Assistance
   Child Care Management
   JOBS
   Child Protective Services

Denver Mayor's Office
   Office of Education and Training
   Office for Education and Advocacy

City Council Staff

All Families Deserve a Chance Coalition

Immigration Policy in Colorado Task Force (ImPACT)

Colorado Women’s Employment and Education Project (CWEE)

Mile High United Way

Salvation Army Family Services

Family Homestead

Latin American Research and Service Agency (LARASA)

Clayton Foundation
   Head Start

Catholic Immigration Services
Colorado Coalition for the Homeless
Metro Denver Homeless

Legal Aid Society of Metropolitan Denver

Denver Community College
   Office of Continuing Education, Worker Family Resource Center

Mi Casa Resource Center for Women

Denver Head Start

Catholic Charities and Community Services
About the Authors

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_Karin Malm_ is an independent consultant with a background in child welfare issues, including studies of the implementation of family support and family preservation services; research on the incidence of child abuse and child neglect; and evaluations of family preservation, foster care, and adoption services. In addition to her work for the Urban Institute, her current work includes analysis of HIV/AIDS client-level data for the government of the District of Columbia.