CONNECTICUT VOICES FOR CHILDREN

Connecticut Family Asset and Opportunity Scorecard, 2009

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Connecticut's prosperous image belies the reality that wealth, security, and opportunity are not broadly shared. Connecticut is a state where income and asset inequalities between the well-off and the poor are among the greatest in the country. Racial and ethnic disparities, a measure through which the unequal distribution of wealth often manifests itself, are stark and broad-based, and dense pockets of concentrated poverty hobble Connecticut's cities—child poverty rates in Bridgeport, Hartford, New Haven, and Waterbury are all more than twice the statewide-average and Hartford is tied for the second highest child poverty rate in the country.[1] This year's national scorecard on assets demonstrates ample evidence that Connecticut's race and income disparities are persistent and cut across areas of wealth, poverty, housing, health care, and education.

The enduring sentiment among many residents is that, while poverty still exists in Connecticut, the poor here are both better off and fewer in number than they are elsewhere in the country. This simplistic characterization of Connecticut results, in part, from a persistent reliance on summary measures of *income* as the sole determinant of financial health among the population. Household income is certainly a relevant and necessary indicator of whether a family has enough to survive, but it is only one factor of many that has bearing on short and long-term financial health and stability. The Corporation for Enterprise Development's (CFED) *Assets and Opportunities Scorecard* is a comprehensive tool that improves on current determinations of financial health by shifting the focus from *income* to *assets.* Assets are the building blocks of opportunity as well as the safety net against financial ruin. Families with assets – in the form of home equity, small business ownership, advanced education, health insurance, and savings – are better able to weather economic crises that emerge unexpectedly. When confronted with economic disruptions from illness, divorce, or unemployment, families without assets can find their hopes for future prosperity dashed.

The *2009-2010 Assets and Opportunity Scorecard* gives Connecticut an overall "B" grade, ranking it 13th best out of 50 states and the District of Columbia on the combined measures for asset development. In this year's scorecard, the ten top-ranking states received a letter grade of "A," and the following ten received a "B." Sixteen states received a "C", and the remaining 15 states received D's or F's.

State rankings this year were determined by performance in 58 separate outcome measures distributed among five asset categories: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education. State rankings in each of the 58 indicators were weighted equally in the determination of the overall grade and in the determination of the grades in each of the five categories. This year, Connecticut received a "C" in Financial Assets & Income, a "B" in Businesses and Jobs, a "D" in Housing & Homeownership, a "B" in Health Care, and a "B" in Education. While the summary letter grades in each of these broad areas vary from good to poor, measures of inequality across several categories tell a common story. In Financial Assets, Homeownership and Health Care, disparities in Connecticut consistently rank it in the bottom five

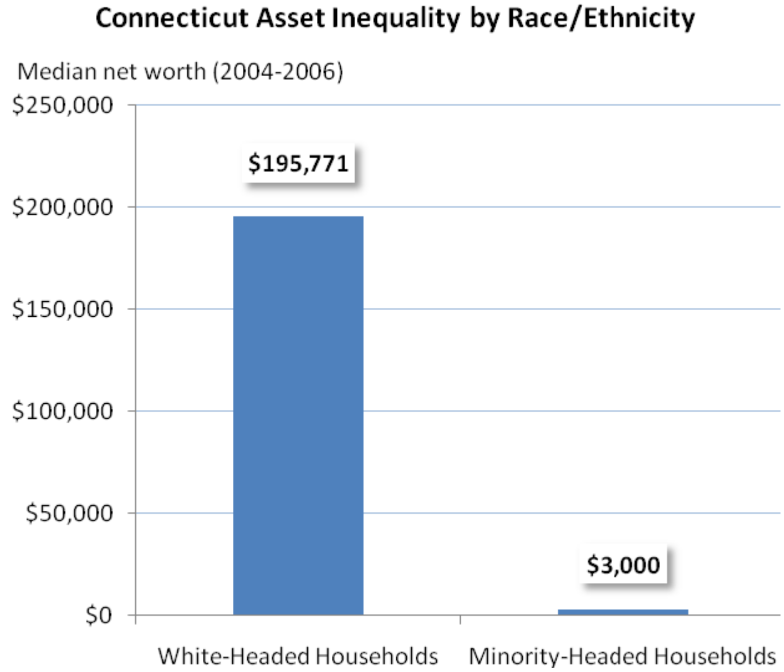
[1] Hartford ranked 6th using data from the 2006 American Community Survey, among cities with populations over 100,000. See Taby Ali, *Child Poverty in 2006: How Do Connecticut Cities Measure Up?* Connecticut Voices for Children, 2007.

of states.[2] Among the 58 asset measures evaluated in the Scorecard, Connecticut ranked among the lower half of states with available data for 24 measures.

This report highlights outcomes in each of the asset categories where Connecticut lags the rest of the country and examines policies that will help strengthen Connecticut's economic future.

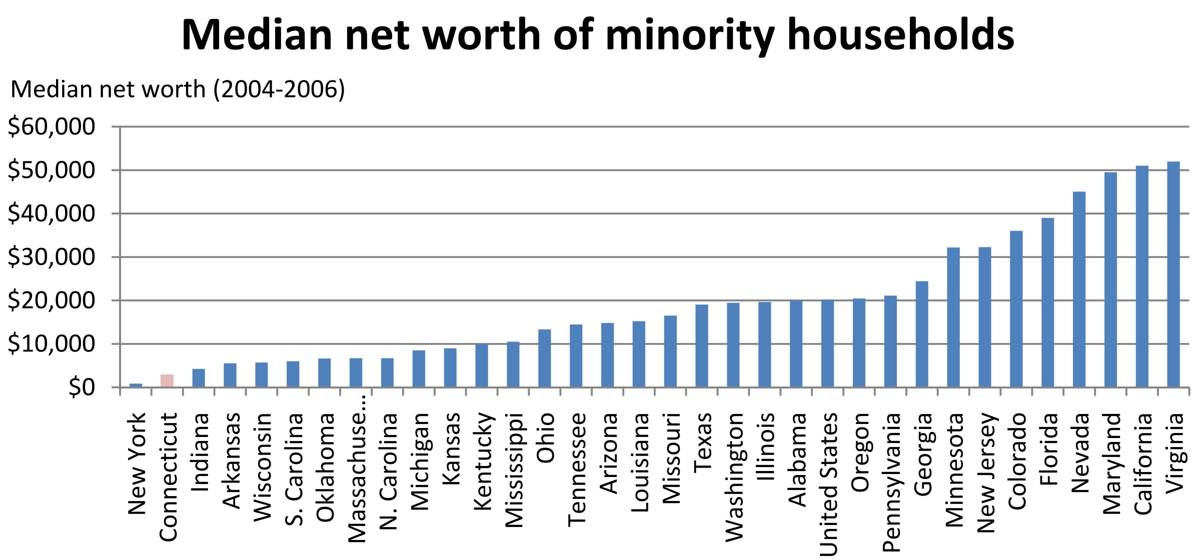
[2] Since some measures lack data for all 50 states and the District of Columbia, the bottom five states are not always out of 51.

How Connecticut Performed



Financial Assets & Income
Grade: C

Dramatic disparities in this area are offset by high marks in overall net worth, and low poverty and bankruptcy rates. The most recent measurement of the median net worth[3] of Connecticut households was $147,266, more than one and a half times the national median of $88,803. However, as Figure 1, to the right, makes abundantly clear, high median net worth in Connecticut mostly reflect the high net worth of white-headed households.[4] The median net worth of white-headed households was $195,771, a little over 65 times the median net worth minority-headed households, which was $3,000. This disparity placed Connecticut 32nd out of 33 states with available data. Only New York had a greater asset disparity. Connecticut also ranked 25th in the gap in net worth by income among 33 states with available data.

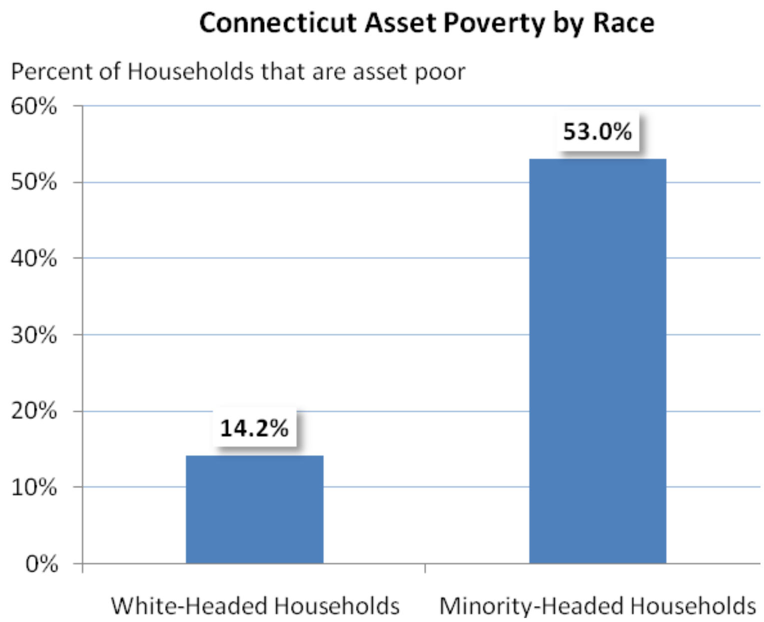


[3] Net worth equals the sum of assets attributable to any individual age 15 years and above in the household less any liabilities. Assets included in this measure are interest-earning assets, stocks and mutual fund shares, real estate (own home, rental property, vacation homes, and land holdings), own business or profession, mortgages held by sellers, and motor vehicles. Liabilities covered include debts secured by any asset, credit card or store bills, banks loans, and other unsecured debts. The financial asset data in this report is from the most recent Survey of Income and Program Participation (2006)

[4] In U.S. Census products, the householder is generally the person, or one of the people, in whose name the home is owned, being bought, or rented. The race or ethnicity of this person then determines whether a household is considered "white-headed" or "minority-headed." In this report, a minority is any non-white race or ethnicity (e.g. African-American, Asian, Pacific Islander, American Indian, Aleut, Eskimo or Hispanic).

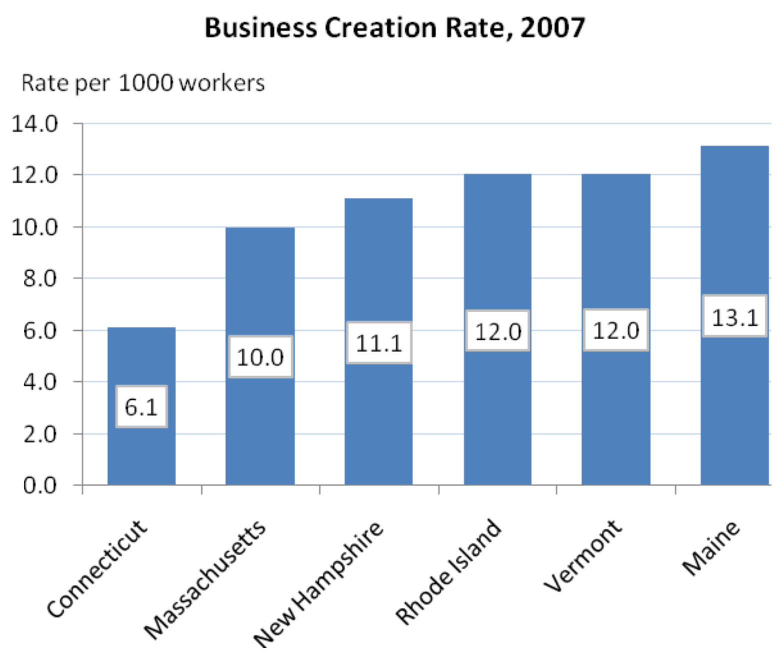
Connecticut's race disparity on assets is largely driven by an extremely low minority household net worth. Figure 2, above, dramatically bears out this fact, showing the median net worth of Connecticut minority households compared to the net worth of minority households in other states.

The very low net worth of minority households in Connecticut contributes to the very high proportion of minority households in Connecticut that are considered asset poor. A household is considered asset poor when it does not have sufficient net worth to subsist at the federal poverty level without earning income for three months. In Connecticut, just over one fifth (22%) of total households were considered to be asset poor, but over half of all minority-headed households were considered to be asset poor. Only New York had a higher minority asset poverty rate (56%) of the 33 states with available data. Connecticut's disparity between the asset poverty rate of minority-headed households compared with white-headed households was the largest of all states with available data.



Businesses & Jobs[5]
Grade: B

Connecticut's grade in Businesses and Jobs is buoyed by high relative scores in average annual pay, retirement plan participation, and employer-offered health insurance. Connecticut ranked the worst in the nation, however, in business creation rate, adding business establishments at a much slower rate than its neighbors. Figure 3, to the right, shows that the next worst state in New England in terms of business creation had a rate that was 64% higher than Connecticut's. Connecticut's low business creation rate may have

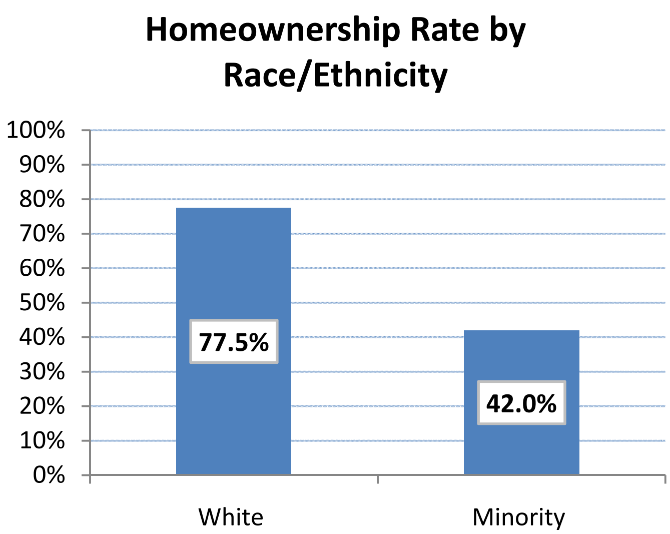


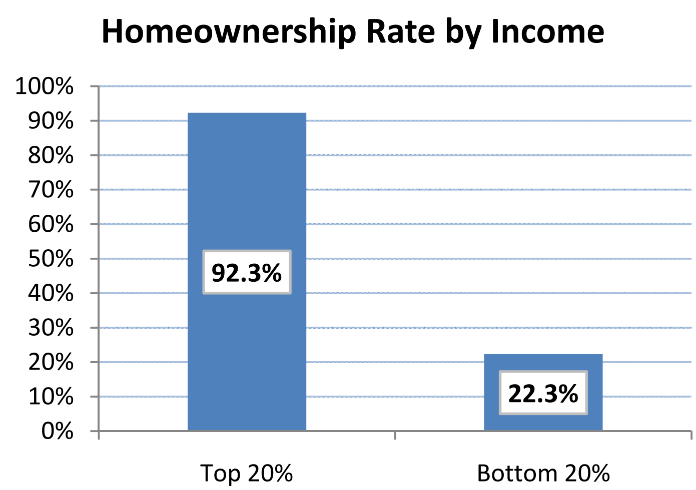
[5] Businesses and Jobs data presented here from Business Employment Dynamics. U.S. Department of Labor, Bureau of Labor Statistics. Retrieved December, 2008 from http://www.sba.gov/advo/research/sbe.html ; Community Reinvestment Act Data (2007). Washington, DC: U.S. Small Business Administration

something to do with its poor ranking on the amount of private loans available to small businesses, ranking 34th of 50 states and D.C. with a $1,953 per worker small-business private loan rate.[6] The U.S. average for this measure is $2,116.

Housing and Homeownership[7]
Grade: D

Connecticut's low grade in Homeownership, despite a decent overall homeownership rate, is a result of high cost burdens for homeowners and renters, low home affordability, and one of the worst disparities in homeownership in the country. Out of the 50 states and D.C., Connecticut ranked 45th in homeownership disparity by race and 49th in homeownership disparity by income.[8] Connecticut's homeownership rate among minorities is 42% compared with 78% among whites, and its homeownership rate of households in the bottom twenty percent of income was 22% compared with 92% among households in the top twenty percent of income. The ensuing housing crisis, which has continued into 2009, will most likely cause the racial gap to widen dramatically, as rising foreclosures have disproportionately affected minority households.[9]





Homeownership inequality is likely linked with the high cost and low affordability of housing in Connecticut. Connecticut was ranked 34th of 43 states in affordability.[10] (This measure estimates housing affordability relative to wages. In areas where housing values are high relative to wages, many prospective homeowners are priced out of the market. The higher the ratio of housing value to wages, the less likely someone can own their own home.) Connecticut also ranks 40th of 50 states and the D.C. in housing cost burden for homeowners, and 44th of 50 states and D.C. in housing cost burden for renters. In Connecticut, 36% of homeowners and 49% of renters spent more than 30%

[6] A small business loan is considered to be a private loan of under 1 million dollars.
[7] Housing data from the 2007 American Community Survey, and the 2006 Survey of Income and Program Participation.
[8] Income disparity in homeownership is determined by the ratio of the homeownership rate of households in the top 20% of income and households in the bottom 20% of income.
[9] Gerardi K. and Willen P., "Subprime Mortgages, Foreclosures, and Urban Neighborhoods." Federal Reserve Bank of Boston. Discussion Paper no. 08-6, December, 2008.
[10] Median housing value divided by median family income, 2006.

of their incomes on housing costs in 2007.[11] According to the Department of Housing and Urban Development, people who spend more than 30% of their income on housing costs are cost-burdened and may have difficulty affording other necessities.

Health Care[12]
Grade: B

Connecticut scores moderately well on this measure due to a relatively low uninsured rate (10.7% compared to the national rate of 17.2%), comparatively low out-of-pocket medical expenses (15.9% compared to the national rate of 19.0%), and a high share of employees with employer-sponsored insurance (70.4%).

These successes are offset by the state's generally poor performance in health care measures related to income and race. For individuals with income over 200% of the federal poverty level (a threshold that roughly corresponds to Connecticut's Self-Sufficiency Standard, which estimates what is necessary for a family to meet basic needs) the uninsured rate is 5.8%, while one in four (25%) of those under 200% of the poverty level are uninsured. This disparity is high (Connecticut ranks 47th out of the 50 states plus DC), despite the success of the state's HUSKY health insurance program, which has kept the number of uninsured low-income children and parents well below the national average. The state also ranks poorly (41st) in the disparity between white and minority insurance rates—7.6% of the state's white population is reported to be uninsured compared to 19.0% of the state's minority population.

Education[13]
Grade: B

Connecticut received a "B" on this measure due to a comparatively high percentage of children achieving reading proficiency in eighth grade (37.1% of students were proficient compared to the national 29.2% of students who were proficient), as well as relatively high numbers of residents achieving high school degrees (91.6% compared to the national rate of 87.6%), two-year college degrees (63.6% compared to the national rate of 58.7%), and four-year college degrees (37.9% compared to the national rate of 29.9%).

Connecticut performs worse on other measures of educational opportunity. Even though Connecticut has a high number of residents with four-year college degrees, the racial and income divide that exists in other measures is also seen in education. Four-year degree attainment among minorities is almost 40% lower than among whites, and over 70% lower among low-income residents than among high-income residents. Furthermore, Connecticut performs poorly when measuring the amount of debt held by an average college graduate in Connecticut, ranking 41st out of the 50 states plus DC ($22,215 compared to the national average of $20,098 of debt). This high

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[11] Hero, J. and Kramer T., State of Working Connecticut, 2009. Connecticut Voices for Children, 2009. http://www.ctkidslink.org/pub_detail_477.html

[12] Health Care data from the Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2007 and 2008 Current Population Survey.

[13] Head Start data from Head Start Program Information Report (PIR) Database: 2007-2008 Program Year. Washington, DC: Department of Health and Human Services, Administration for Children and Families, Office of Head Start; Homeownership data from 2007 American Community Survey; Debt data from *Student Debt and the Class of 2007*. (October, 2008). Berkley, CA: Institute for College Access & Success, Project on Student Debt.

amount of educational debt is compounded by the high median credit card debt and high housing cost burden found in Connecticut, further indicating the financial strain felt by many Connecticut residents.

What Connecticut can do

Low family asset resources have diminished economic opportunities for many families and have left them poorly prepared to manage the effects of the economic downturn. Connecticut should invest in state policies that boost family assets and opportunities.

The 2009-2010 Asset Scorecard identifies twelve priority policies that it recommends states implement to expand asset-building opportunities to all families. Connecticut has policies in place for eight of the twelve priorities, but only five of those eight are described as "strong." Many of the policies that Connecticut lacks, such as a state Earned Income Tax Credit, would be particularly helpful in closing the large asset disparities with which Connecticut has long struggled. Some priority policies that Connecticut currently has in place, such as state Individual Development Account program support (IDAs are programs that provide matching funds for low-income individuals who save), have been substantially weakened in the wake of state budget cuts. The four priority policies that Connecticut lacks are a state Earned Income Tax Credit, state microenterprise support, first-time homebuyer assistance, and college savings incentives. To try and understand what Connecticut can do to improve asset growth opportunities for its residents, policymakers can start by finding where Connecticut falls short in the Asset Scorecard policy ratings. A summary of the presence and strength of Scorecard's twelve priority policies in Connecticut as well as several additional recommended policies can be found on the last page of Connecticut's state profile, available on the Connecticut Voices Web page.[14] Below, Connecticut Voices for Children synthesizes CFED's and its own recommendations to bolster asset growth opportunities in Connecticut that help all families and secure a better economic future for the state.

- The Scorecard identifies asset disparities, both racial and economic, as a central feature holding Connecticut back from better marks on overall asset health. Many of the priority policies identified in the Scorecard that Connecticut lacks could immediately improve opportunities for Connecticut's low-asset families. A state Earned Income Tax Credit would provide working families with more income with which to build assets. To boost responsible homeownership, Connecticut can provide assistance to low- and middle-income families to access affordable and safe mortgage products and learn basic information about what to expect from the homebuying process. Racial and economic disparities in health insurance coverage could be improved through increasing enrollment and retention of eligible families in the HUSKY program.[15] Asset opportunities would also be expanded by making Connecticut's regressive state and local tax system fairer. Low- and middle-income households in Connecticut spend a higher proportion of their incomes in state and local taxes than high income households.[16] The latest budget included welcome changes that increased the progressivity of Connecticut's income tax, but is not sufficient to equalize the

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[14] www.ctkidslink.org

[15] Connecticut Voices for Children analysis of state HUSKY enrollment data show that many new enrollees in the HUSKY program lost coverage within the first 13 months after enrolling.

[16] Douglas Hall, "'Who Pays?' The Unfairness of Connecticut's State and Local Tax System." Connecticut Voices for Children, April 2009. http://www.ctkidslink.org/pub_detail_452.html

tax burden across the income scale. Additionally, reductions in the estate tax, which only affected household earning over 2 million dollars a year, have had the reverse effect on tax fairness.

- Connecticut's dead-last national placement in business creation is yet another reminder that Connecticut is in sore need of an economic development strategy. In the last decade, the state's economic development efforts have been fragmented, lacking a cohesive strategy. Over the past year or so, the Connecticut Department of Economic and Community Development (DECD) has spent $500,000 developing an Economic Development Plan for Connecticut to establish a vision for growth over the next 5, 10, 15, and 20 years, along with strategies to achieve that vision (required under PA 07 – 239). The plan was to be submitted to the Governor by July of 2009 and approved or disapproved within 60 days. Just recently, this plan was released to the public, but has not been explicitly approved or disapproved.

  DECD's Economic Strategic Plan presents its vision for Connecticut's future under three public policy areas: Talent and Technology, Cultivate Competitiveness, and Responsible Growth. Various suggestions in the plan would take welcome steps toward expanding family asset opportunities, particularly in supporting homeownership and workforce education. However, there is little proposed to address the substantial racial and economic income and asset disparities that currently exist in the state or to ensure that the benefits of Connecticut's future economic growth are more broadly shared. Additionally, there does not appear to be any concrete system to prioritize between the plan's suggestions or determine how the initiatives might work together to achieve broader state goals. Economic development in Connecticut should be coordinated and strategic, utilizing the state's strengths and positioning the state for long-term stability and prosperity. Any development plan should focus on increasing higher-wage jobs and assuring a well-educated, healthy workforce. Ultimately, the details and various conclusions of the Economic Development Plan should be carefully scrutinized to determine whether they adequately address the economic future of *all* people in Connecticut.

  Connecticut is also identified as one of only 15 states that do not currently provide state microenterprise support. Very small businesses, or microenterprises, are a proving ground for new entrepreneurs and a key income generation and economic revitalization strategy. Microenterprises increase income for the poor, help people move out of poverty and off public assistance, and help poor households build business and personal assets over time.

  Several pieces of evidence suggest that Connecticut's low per person business creation rate has little to do with the burden of state and local business taxes. According to a report by the Council on State Taxation conducted by Ernst and Young[17], Connecticut is tied for the second lowest ranking among states in state and local business taxes as a share of total state economic activity (private sector gross state product) and ranks the second lowest among states in total state and local business taxes as a share of total state and local taxes. Maine and Vermont, which in the Scorecard had the 9th and 11th highest per person business

[17] Ernst & Young and Council on State Taxation, Total State and Local Business Taxes: 50 State Estimates for Fiscal Year 2008, January 2009, http://www.cost.org. Also see CT Voices for Children, Connecticut's Business Taxes in Context: A Summary of Ernst & Young's National Survey of State and Local Business Taxation, April 2009, http://www.ctkidslink.org/pub_detail_455.html.

creation rates in the country, also ranked 3rd and 6th highest in state and local business taxes as a share of private sector state product.

- Post-secondary education is central to asset building capacity, as it enables higher earnings, steady employment, and career flexibility. Connecticut's racial disparities in higher education and high level of college debt can be addressed though reducing financial barriers to college. Interventions can be targeted to curb the number of youth who drop out of high school, increase funding for college scholarships, and expand financial support to our public colleges and universities to limit tuition increases. To close the gap in higher education and reduce debt, Connecticut could also match deposits of low-income individuals and families into education savings accounts. Assuring that Connecticut's families have equal opportunity to a higher education not only satisfies our core values, but also keeps Connecticut economically competitive. A good education should not depend on who can afford it.

APPENDIX

Connecticut Asset Rankings Based on Fewer Than 50 States and District of Columbia

There are 58 asset measures in the Corporation for Enterprise Development's national "2009-2010 Assets and Opportunity Scorecard." Most are based on 50 states and the District of Columbia. However, data is not available from all states for all indicators. This table lists the ranking measures that are based on fewer than 50 states and D.C., so that readers can more accurately interpret Connecticut's standing among other states. To review all the state rankings, see the CT scorecard at scorecard.cfed.org.

OUTCOME MEASURE	RANKING
Financial Assets & Income	
Net Worth	10th of 49
Net Worth by Race	32nd of 33
Net Worth by Income	25th of 33
Net Worth by Gender	19th of 41
Asset Poverty Rate	27th of 49
Asset Poverty by Race	33rd of 33
Asset Poverty by Gender	35th of 40
Extreme Asset Poverty Rate	23rd of 49
Income Poverty Rate	3rd of 51
Unbanked Households	36th of 44
Housing & Home Ownership	
Affordability of Homes	34th of 43
Health Care	
Uninsured by Race	41st of 49
Out-of-Pocket Medical Expenses	6th of 29