Connecticut through Katrina-Colored Glasses

by Douglas Hall, Ph.D.
Connecticut Voices for Children

Many people know Connecticut as a wealthy state of corporate headquarters, yacht clubs, jet-engine and submarine construction, and comfortable homes for Wall Street traders. Indeed, Connecticut is all that. There is, however, another side to the state.

As the 2005 hurricanes revealed, there are areas of great poverty in America. Writes one observer, "Hurricane Katrina destroyed more than homes, lives, and livelihoods; it swept away the curtain hiding the poor, confronting the richest nation on the globe with its inner Third World."[1] Her words ring true even in Connecticut.

Compared with the poverty rate in hurricane-ravaged Mississippi (21.6 percent, the highest in the nation), Connecticut's rate of 7.6 percent might not seem a cause for alarm.[2] But Connecticut families struggling to make ends meet often encounter challenges facing the poor along the Gulf Coast.

Chronic Poverty Storms

Hartford, for example, has a child poverty rate of 41.3 percent, the second highest in the nation behind Brownsville, Texas. Like New Orleans, it is predominantly populated by minorities. Both cities have 28 percent whites, although in New Orleans the population is 67 percent African

Illustrations by Kirk Lyttle

American and 3.1 percent Latino, whereas Hartford is 38.1 percent African American and 40.5 percent Latino.

The lack of access to automobiles, which made it hard to evacuate New Orleans, would affect Connecticut in an emergency, too. A recent study showed that 26 percent of New Orleans residents lacked access to an automobile in 2000. So did 32 percent of Hartford residents, 23 percent of New Haven residents, 19 percent of Bridgeport residents, 16 percent of Waterbury residents, and 8 percent of Stamford residents.[3]

Every Connecticut town contains families for whom the struggle to meet daily needs is a chronic storm. The chronic storm has three dimensions—"pulling apart," or the failure of income growth for the poor to keep up with income growth for the wealthy; the erosion of tax relief for lower-income families; and the vulnerability of lower-income families to the recession that began in July 2000. These trends keep many families from moving up the ladder to economic success and stability.

The Pulling Apart of Incomes

Incomes are pulling apart throughout the country.[4] In Connecticut between 1991 and 2002, the inflation-adjusted incomes of the poorest 20 percent grew at a slower rate than the incomes of the wealthiest 20 percent.[5] Moreover, the difference between the top 20 percent and the bottom 20 percent, expressed as a ratio, grew the second most in Connecticut between 1991 and 2002, behind only Tennessee.

During this same period, Connecticut was one of only two states in which the real incomes of the poorest 20 percent actually declined. On average, families in Connecticut's poorest income quintile saw a loss of $22 of annual income, a decline that, although not the worst in the nation, compares unfavorably with the *gain* of $2,326 nationally for the poorest fifth of families. Connecticut's next-poorest quintile saw some income growth, but at 6.1 percent it was anemic and made Connecticut 48th among the states. (See the exhibit "Average Inflation-Adjusted Income of Connecticut Families.")

But consider the 20 percent of Connecticut families with the highest incomes. During this period, their average income increased by nearly one-third, the sixth-largest increase among all states for that quintile.

Taxes for Lower-Income Families

Over a comparable period of time, Connecticut's treatment of lower-income families has become much less favorable with regard to income tax.[6] The threshold at which a family of four begins to have tax liability has been fixed at $24,100 since Connecticut's income tax was enacted in 1991. Inflation has eroded the value of $24,100 over that time. In 1991 it was 73 percent over the poverty line, but today it is 21 percent over the poverty line. Only Alabama has seen such erosion.

If inflation were taken into account and lower-income residents continued to receive favorable tax treatment until they hit 73 percent of the poverty line, families with incomes under $34,557 would not be liable. Without adjustments to the tax structure, Connecticut will soon be taxing families with poverty-level incomes.

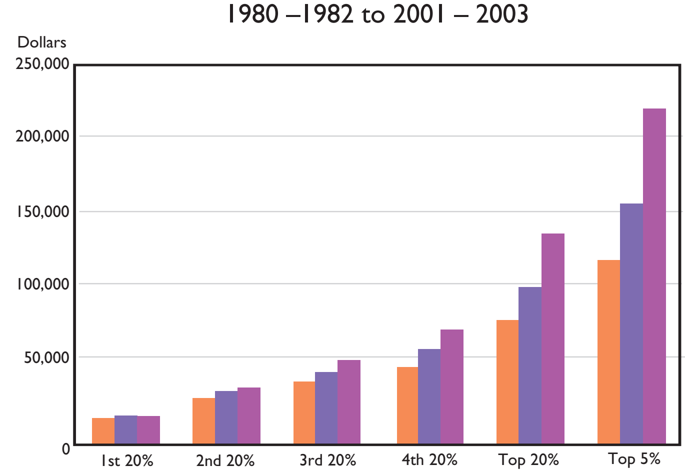
Connecticut's Wealth

Median household income, 2004: $60,528 (exceeding national median by 35 percent).

Share of aggregate income from investment income, 2004: 8.3 percent (compared with 5.9 percent for the nation). In Fairfield County, investment income accounts for 12.7 percent of aggregate income.

The aggregate income of Fairfield County, at $38.8 billion, exceeded the aggregate income for each of 15 states and the District of Columbia in 2004.

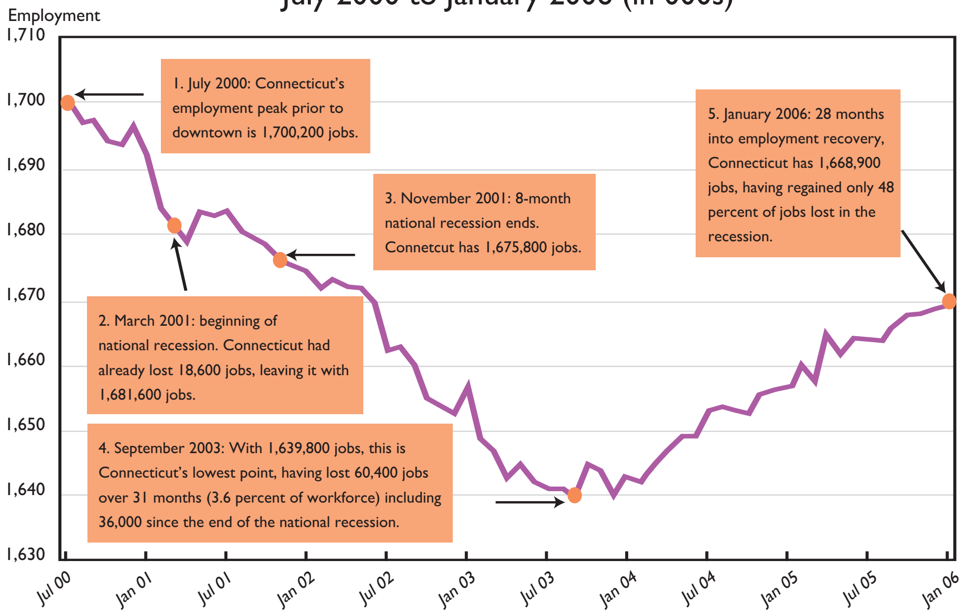
Average Inflation-Adjusted Income of Connecticut Families: 1980 –1982 to 2001 – 2003



	1st 20%	2nd 20%	3rd 20%	4th 20%	Top 20%	Top 5%
1980-1982	18,570	33,575	44,883	54,884	86,789	127,532
1990-1992	21,026	38,590	51,595	66,986	109,867	165,571
2001-2003	21,003	40,952	59,111	79,551	144,960	231,928

Income Quintiles
20 percent of familes, by income

Employment in Connecticut:
July 2000 to January 2006 (in 000s)



Source: Economic Policy Institute and Connecticut Voices for Children analysis of Bureau of Labor Statistics data.

Economic Vulnerability

Connecticut's lower-income families continue to bear the brunt of the state's economic recession and anemic recovery. The national recession was relatively short (March 2001 until November 2001), but Connecticut's began in July 2000 and didn't begin to abate until September 2002. By December 2005, Connecticut had gained back only 59 percent of the jobs lost. Although Connecticut residents at other income levels have suffered from the slow recovery, recessions are always hardest on lower-income workers.[7] (See the exhibit "Employment in Connecticut: July 2000 to January 2006.")

Seeing with New Eyes

In the aftermath of Hurricane Katrina, a window opened that allowed officials and ordinary citizens to look beyond statistics and see the faces of people coping with chronic poverty storms.

Even in the wealthiest state, nearly one in five families is asset-poor—in other words, they lack sufficient net worth to weather a three-month income interruption even after reducing their expenditures to the federal poverty level.[8] Although interruptions could be caused by a hurricane, they more often result from events such as illness, unemployment, or divorce.

As U.S. Senator John Edwards has said, "The Superdome made [New Orleans poor people] impossible to ignore, but we could look down the streets of every city in America and see enough poor and forgotten families to fill all the football stadiums."[9] In Connecticut, the 87,000 poor children would fill the University of Connecticut's state-of-the-art Rentschler Field in East Hartford twice and thousands would still be waiting in line.

The state's General Assembly passed legislation in 2004 establishing a Child Poverty Council charged with creating a plan to reduce child poverty by half within 10 years. The Child Poverty Council released a report in January 2005 detailing a broad range of policies that could move Connecticut toward that goal. The council remains hopeful that the General Assembly and the governor will comprehensively embrace the recommendations.

After the national outpouring of sympathy for those suffering along the Gulf Coast, we must not lose sight of the poor. And the wealthiest state in the wealthiest nation would do well to consider how lifting Connecticut families from poverty might help it fully utilize the human capital necessary to thrive in the 21st century.

Douglas Hall, Ph.D., *is the associate research director at Connecticut Voices for Children in New Haven.*

[1] Frida Berrigan, "America's Third World," Tompaine.com, September 21, 2005, http://www.tompaine.com/articles/20050921/americas_third_world.php.

[2] U.S. Census Bureau, *American Community Survey*, "Percent of People Below Poverty Level in the Past 12 Months (For Whom Poverty Status is Determined)," table R1701 (Washington, D.C., 2004).

[3] Alan Berube and Steven Raphael, *Access to Cars in New Orleans* (Washington, D.C.: Brookings Institution and Goldman School of Public Policy, 2005), http://www.brookings.edu/metro/20050915_katrinacarstables.pdf.

[4] Douglas Hall and Shelley Geballe, *Pulling Apart in Connecticut, Trends in Family Income, 1981-2002* (New Haven: Connecticut Voices for Children, 2006). Data for this section were provided by the Center on Budget and Policy Priorities and the Economic Policy Institute and were drawn from their analysis of pooled data from the U.S. Census Bureau Current Population Survey.

[5] In these states, the incomes of the top fifth grew by a greater percentage than the incomes of the bottom fifth, and the difference was statistically significant.

[6] These data are drawn from Douglas Hall, *A Hand Up for Connecticut's Low-Income Earners: Reversing the Erosion of Connecticut's Income Tax Threshold* (New Haven: Connecticut Voices for Children, forthcoming).

[7] The Economic Policy Institute and Connecticut Voices for Children have analyzed national data from the March Supplement to the Current Population Survey (CPS) for 2000 to 2003, the time period corresponding to Connecticut's labor recession. Among all working families nationwide, the average family incomes of the lowest fifth of families declined 3.2 percent, compared with the overall average decline of 1.5 percent. Unemployment data are not available at the quintile level, so the total hours worked may indicate (un)employment rates. During the 2000-2003 period, total hours worked by the lowest quintile of families declined by 9.9 percent compared with an average decline of 4.2 percent.

[8] Douglas Hall, *Connecticut Asset Scorecard, 2005* (New Haven: Connecticut Voices for Children, 2005), 2.

[9] U.S. Senator John Edwards, "Restoring the American Dream—Combating Poverty and Building One America" (speech, Center for American Progress, Washington, D.C., September 19, 2005).