

How Come We're Still Tops?

Connecticut's lead in personal income in 1998 was 42.4% above the national average, the highest on record. How come Connecticut remained in the top spot throughout the 1990s while enduring the worst of the recession?

First, let's rule out a couple of common misconceptions about the source of Connecticut's income success. A caller to a radio talk show recently claimed that without Fairfield County the rest of the state's per capita income would drop to "something like 48th in the nation." The statement went unchallenged by the hosts and by subsequent callers. As our readers well know, even if Fairfield County's income and population were chopped from Connecticut's totals, per capita income for the rest of the state tumbles all the way down to third in the nation, behind New Jersey and Massachusetts.

The record bull market offers another overblown explanation for the state's high per capita income. The lion's share of stock-market booty lies in capital gains, but the federal definition of personal income excludes capital gains. Adding capital gains to the pot increases our lead.

One big reason why Connecticut kept its lead is that migrations from the state served as a safety valve during the rough times. Many who couldn't find jobs left the state, and the resulting reduction in population dressed up our per capita income during the early part of the decade. Since the onset of the recovery, jobs have grown 10% while the population remained virtually flat and this too beefed up per capita income.

Tax Bite Grows

What happens to Connecticut's first-place income rank once taxes are subtracted? After all, as a high-income state, Connecticut residents pay higher federal tax rates on average. Connecticut's per capita income lead drops from 42.4% above the national average based on per capita income to 35.2% above the national average based on per capita disposable income—personal income minus taxes. Nevertheless, Connecticut still tops the nation in per capita disposable income.

Disposable income in Connecticut was 80.4% of personal income in 1998. The national average was 84.7%. Back in 1993 disposable income in Connecticut was 84.3% of personal income, compared to a national average then of 87.3%. Thus,

disposable income in Connecticut dropped from 84.7% of personal income to 80.4% between 1993 and 1998. In the nation that figure dropped from 87.3% to 84.7%.

In short, Connecticut's after-tax share dropped by 5.1 percentage points from 1993 to 1998 while in the nation that share dropped by only by 3.0 percentage points. Why the difference? Clinton's tax increase in 1993 combined with a booming stock market during the 1990s to hit high-income households the most, and Connecticut has a larger share of high rollers than any other state. (Some may think that our new state income tax explains the growing bite. It may contribute a bit, but that tax was already fully implemented by 1993, and tax rates actually declined by 1998.)

Population Rises Ever So Slowly

The Census Bureau released 1999 population estimates for Connecticut showing that the state gained about 9,500 people between July of 1998 and July 1999, for a growth rate of 0.3%. Although this was the fourth year of population growth, Connecticut added more people last year than in the previous three years combined. The upper chart shows the annual change in Connecticut's population during the 1990s. The worst year was 1992, when population in the state declined by 13,600.

The biggest driver of population change from year to year has been net domestic

migration—the loss of residents to other states. The bottom chart shows net domestic migration from Connecticut each year during the 1990s. The greatest out-migration occurred in 1992, when an estimated 40,400 people (net) left the state. The loss declined to only 11,400 in 1999. Still, over the decade, Connecticut lost an estimated 226,400 people to other states, or 6.9% of our population. But because births exceeded deaths and because net international migration was positive every year, Connecticut's overall population loss between 1990 and 1999 amounted to only 5,100, a drop of 0.2%.

From 1990 to 1999, Connecticut ranked 48th in the nation in population growth, 28th in births, 27th in deaths, 45th in net domestic migration, but 15th in net international migration.

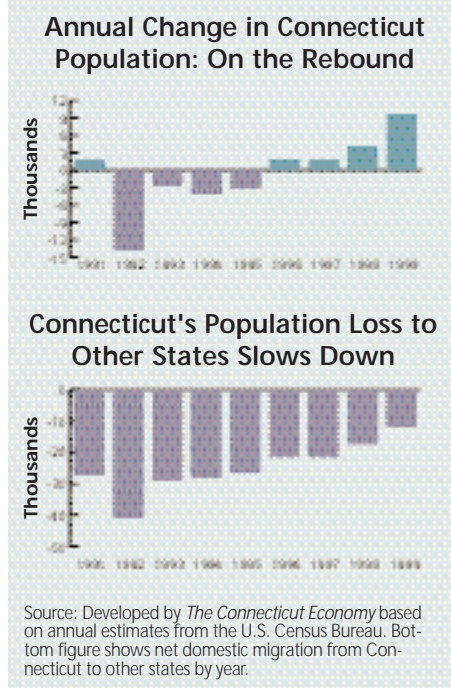
Connecticut Metro Population Growth

Estimates of population changes by metropolitan area are now available for 1990 to 1998. Danbury grew the fastest during this period among the state's seven metro areas, up 4.3%. The average growth for U.S. metro areas was 9.1%; so Danbury, though the leader in Connecticut, grew by less than half the national average. Stamford-Norwalk ranked second in the state, up 0.9%; Bridgeport was third, up 0.3%; and Waterbury fourth, up 0.2%. Las Vegas topped the 360 U.S. metro areas, jumping by 55.0%.

Each of Connecticut's other three metro areas experienced population declines, with Hartford down 1.2%, New Haven down 1.4%, and New London-Norwich down 2.9%, ranking 17th from the bottom nationally. Incidentally, four of the 16 worst performing metro areas based on this measure were in Western New York State, with Utica-Rome and Binghamton ranking last and next to last in the nation, respectively, experiencing population declines of 6.9% and 5.9%. Three New England metro areas also ranked among the bottom 16. Population in Pittsfield, Mass., and Bangor, Maine, declined 5.1%, ranking them fifth from the bottom. Population in Lewiston-Auburn, Maine, dropped 5.0%, ranking seventh from the bottom among the 360 U.S. metro areas.

Population Projections

The U.S. Census Bureau projects Connecticut's population growing by 33,000, or 1.0%, between 2000 and 2005.



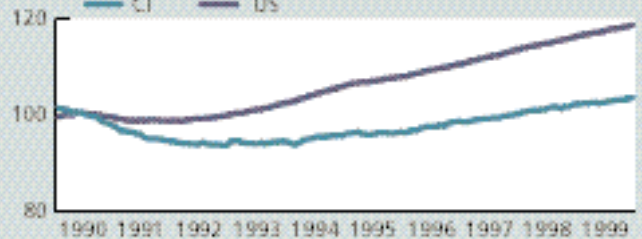


INDEX OF ECONOMIC INDICATORS

Indexed so 1990 = 100

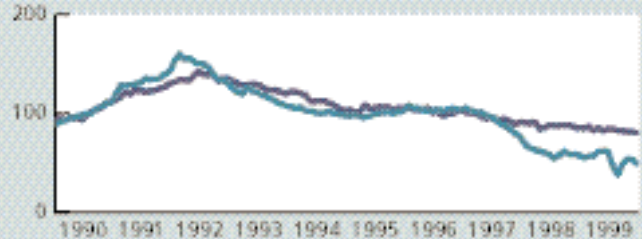
Job Totals

(seasonally adjusted)



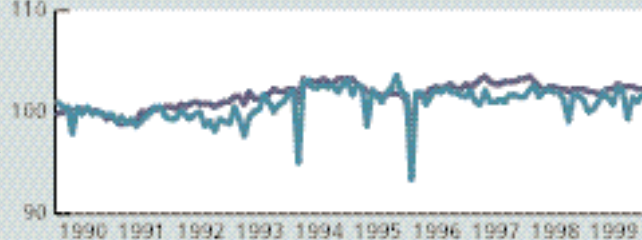
Number Unemployed

(seasonally adjusted)



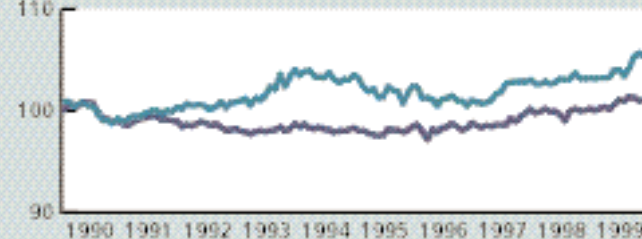
Weekly Manufacturing Hours

(seasonally adjusted)



Real Weekly Manufacturing Earnings

(seasonally adjusted)



Large differences exist across age groups. Those ages 0 to 17 are projected to decline by 14,000, or 1.8%. Those 18 to 24 will grow by 23,000, or 8.4%. Those 25 to 64 will grow 29,000, or 1.6%. And those 65 and over will decline slightly—by 5,000, or 1.1%. This decline in the older population reflects the net out-migration that occurred during the 1990s. In an earlier issue of *The Connecticut Economy*, we estimated that during the first half of the decade, Connecticut on net lost 32,000 people ages 55 to 69 to other states, or 7.4% of that cohort. This was the largest percentage loss of any age group (see “Connecticut’s Exodus Is Losing Steam,” Winter 1997, pp. 4-5).

What does population growth look like beyond 2005? Between 2005 and 2015, Census Bureau projections show Connecticut’s population growing by 189,000, or 5.7%. The number ages 0 to 17 is projected to grow by 8,000, or 1%; ages 18 to 24, by 28,000, or 9.4%; ages 25 to 64, by 83,000, or 4.6%; and over 65, by 70,000, or 15.3%.

Between 2000 and 2015, the number of 18 to 24 year olds is projected to grow by 51,000, or 18.3%. This will increase the demand for higher education in the state, produce a growing supply of workers to the labor force (assuming the state can hold onto these young people), and provide a growing market for entry-level housing.

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Connecticut Travel and Tourism Index

The overall index increased 4.4% in the fourth quarter compared to the same quarter the year before. The index consists of hotel-motel revenues, hotel-motel occupancy rates, attendance at six major tourist attractions, and traffic on five tourist roads.

Hotel/Motel Rev.	H	9.4%
Occupancy Rate	H	0.1%
Attendance	H	3.3%
Traffic	H	4.9%
Overall	H	4.4%

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