CONNECTICUT VOICES FOR CHILDREN

Strengthening Economic Security for Connecticut Families

CANDIDATE BRIEFING
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The health, safety, education, and well-being of children are largely dependent on their families' ability to make ends meet. "Economic security" means having enough income to meet basic needs and enough reserves to be protected against unexpected financial crises. In Connecticut, an increasing proportion of families face stagnating wages, rising costs, and growing economic insecurity. Today, too many Connecticut families are headed by parents who do not earn enough to meet basic needs, who cannot afford decent housing, who cannot pay their ever-rising energy and food bills, who do not have access to preventive health care, and who pay a larger share of their income in state and local taxes than do Connecticut's wealthy.

Our state's children are the ultimate victims. Connecticut children who grow up in impoverished homes are at least twice as likely as their higher-income peers to have health problems, physical limitations, emotional or behavioral difficulties, developmental delays, and learning disabilities. Indeed, the gap between Connecticut's low-income and higher-income children in overall measures of well-being is the fourth worst among all states.

In recent years, Connecticut's working families have seen their economic opportunities *diminish*. That's due, in large measure, to structural changes in the state economy and poorly targeted public investment in job growth. Connecticut has seen a decline in relatively well paying jobs in the manufacturing, information, and management sectors and an increase in lower-paying service jobs, many of which do not provide health and pension benefits.

For many Connecticut families, the building blocks of economic security are crumbling as family income stagnates, while family living costs soar.

Income and Assets

- Connecticut is the only state in which the real (inflation-adjusted) income of the poorest 20% of families declined since the 1980s (by 17%, compared to a national increase of 11%).
- The 5.1% real increase in the incomes of Connecticut's middle-income families since the late 1980s was the smallest percentage increase in any state.
- Connecticut's low (20th percentile) and middle (50th percentile) wages were less in 2007 than in 2002 (adjusted for inflation). The 8% wage loss since 2001 for Connecticut's low-wage workers was the greatest in the nation. Only the state's very wealthy enjoyed wage and income gains over this period of economic "recovery."
- The gaps in real income between wealthy and poor families, and also between wealthy and middle-income families, have grown more in Connecticut than in any other state in the country over the past two decades.
- Out of the nation's 250 Metropolitan Statistical Areas (MSAs), Connecticut MSAs occupied four out of the top five spots for increased income inequality. Stamford-Norwalk, Bridgeport, Waterbury, and Danbury ranked 1st, 3rd, 4th, and 5th, respectively for the fastest growth in the income gap between its poorest 20% of families and its wealthiest 20%.

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- One in five households in Connecticut is "asset poor." That means the household's financial assets are so low that the family cannot survive for three months if family income is interrupted, even if living expenses are reduced to the federal poverty level ($21,200/ year for a family of four).
- Connecticut's racial disparities in assets are among the greatest in the nation; the median white household in Connecticut is nearly 27 times wealthier than the median minority household.

Living Costs

Energy. As of February 2008, Connecticut had the second highest electric rates in the country, 82% over the national average (16.4 cents per kilowatt-hour in Connecticut, compared to 9.0 cents nationally). The deregulation of the energy industry in the late 1990s produced mixed results, with no clear benefit to families struggling to pay utility bills; when Public Act 98-28 deregulated Connecticut's electric industry, its rates were fourth highest. Total energy costs increased by 33.5% between June 2007 and June 2008, led by a 34.6% increase in gasoline prices.

Food. The Consumer Price Index (CPI) for all food is forecast to increase 4.5% to 5.5% in 2008, as retailers pass on higher commodity and energy costs to consumers in the form of higher retail prices. This increase follows a 4.0% increase in food prices in 2007, the highest annual increase since 1990.

Housing. The lack of affordable housing continues to beleaguer potential homeowners in Connecticut. The median family income is too low to qualify a family for a mortgage at median sale prices in 154 of 169 towns. Connecticut's housing prices have grown 3.5 times faster than Connecticut wages in the last five years.

In addition, the crisis in the subprime loan market has placed thousands of Connecticut families at risk of losing their homes. According to a report released by Governor Rell's Subprime Mortgage Task Force, there are 71,000 subprime mortgages in Connecticut, 8% (close to 5,000) of which are seriously delinquent. Additionally, 21,000 subprime loans in Connecticut are scheduled to reset to a higher interest rate in the next two years. Higher interest rates will undoubtedly push more residents who struggle to meet their mortgage payments one step closer to foreclosure. The Partnership for Strong Communities' Reaching Home Campaign data show that the incidence of homelessness has increased by 21% over the past year.

Child Care. For working families raising children, child care costs are second only to housing costs as a share of a family's budget. By creating the Early Childhood Education Cabinet, the Governor acknowledged the importance to Connecticut's economy of supporting working parents and preparing every child to start kindergarten with the skills necessary for early school success and lifelong learning. Yet, the state's total investment in early care programs (including Care4Kids, School Readiness, and State-Funded Centers) in FY 2008 was $1 million less than actual expenditures on early care in FY 2002, adjusting for inflation.

Connecticut should prioritize *proven* investments that develop our human capital, create and sustain high-quality jobs, renew economic opportunities, and help *all* families make ends meet. It should:

- Overhaul the state's economic development policies so that tax incentives and economic development subsidies are subject to rigorous, periodic review to assure that the state is getting the economic return it expected and that the funds could not be better invested elsewhere;
- Increase subsidies for high-quality child care so that more parents can go to work knowing that their children are in settings that are safe, healthy, and educational;
- Put more resources into increasing the supply of affordable and supportive housing, and re-establish an independent Department of Housing;
- Explore ways to reduce Connecticut's high energy costs by enacting a tax on windfall profits. Resulting revenues could then be used to promote conservation and the development of alternative energy sources, and to restore funds to the Low Income Home Energy Assistance Program, the Connecticut Clean Energy Fund, and the Connecticut Energy Efficiency Fund;
- Adopt a state-level Earned Income Tax Credit that would put much needed money into the pockets of lower-income working people; and
- Invest in programs that build family assets (e.g., Individual Development Accounts and homeownership incentives).