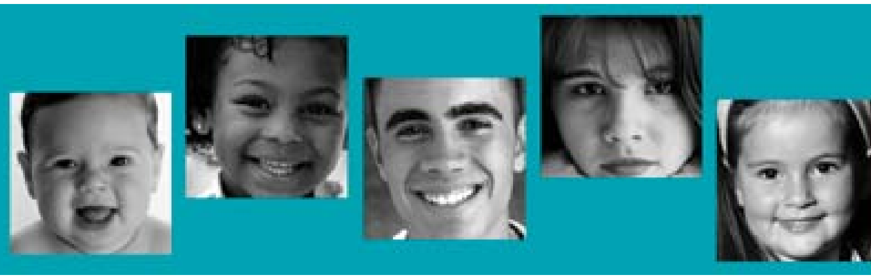
CONNECTICUT VOICES FOR CHILDREN



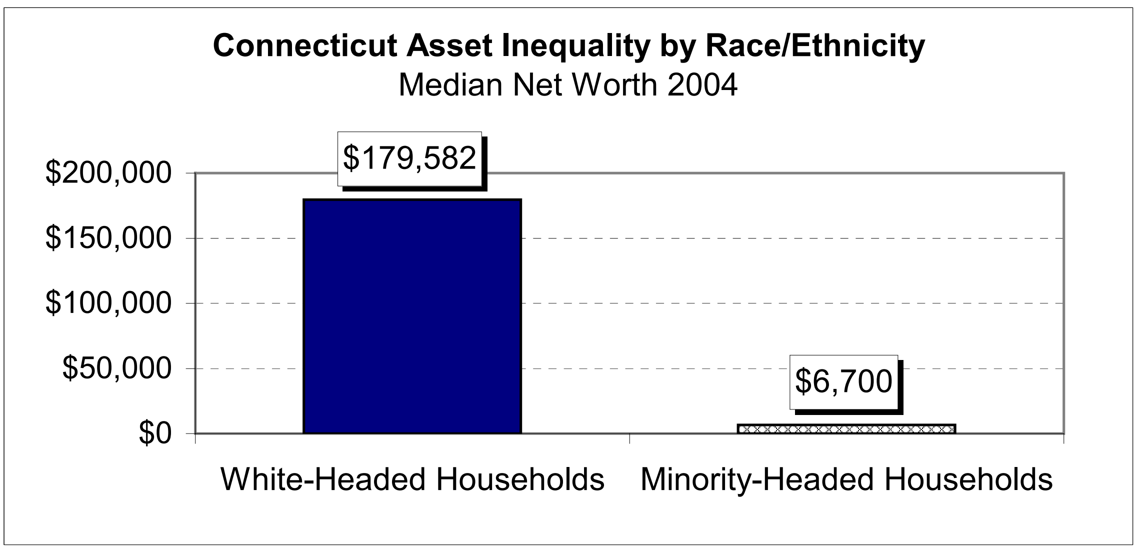
Connecticut Family Asset Scorecard, 2007-2008: Executive Summary

December 2007

Connecticut's ranking in the latest *Family Assets Scorecard* has dropped from an A to a C since the 2005 *Scorecard*, reflecting wide demographic disparities, high levels of debt, declining homeownership, and growing numbers of households with no employer-provided health insurance despite the state's apparent overall prosperity.[1]

While Connecticut continues to rank among the top states on measures on net household worth and educational achievement, the *Scorecard* also highlights disparities in household assets on the basis of race that threaten Connecticut's economic strength and quality of life.

While official, income-based poverty measures find that close to 8% of Connecticut residents are in poverty, one in five (20%) Connecticut households (and one in four Connecticut *children*) are *asset poor*, i.e., lacking sufficient net worth to subsist at the federal poverty level for even three months without income. One in eight (13.4%) Connecticut households have zero net worth or less, owing as much or more than they have in assets. Families with assets – in the form of home equity, small business ownership, college educations, savings – are better able to weather unexpected economic storms. When confronted with economic disruptions from illness, divorce, or unemployment, families without assets can find their hopes for future prosperity in jeopardy.



CFED's *2007-2008 Assets and Opportunity Scorecard* gives Connecticut a "C" Grade, ranking it 24th best out of 51 states and the District of Columbia on the combined measures for asset development. Traditionally, Connecticut

[1] The *Connecticut Family Asset Scorecard, 2007-2008* builds upon the Connecticut findings from a CFED report released in September, *2007-2008 Assets and Opportunities Scorecard*, CFED, 2007.

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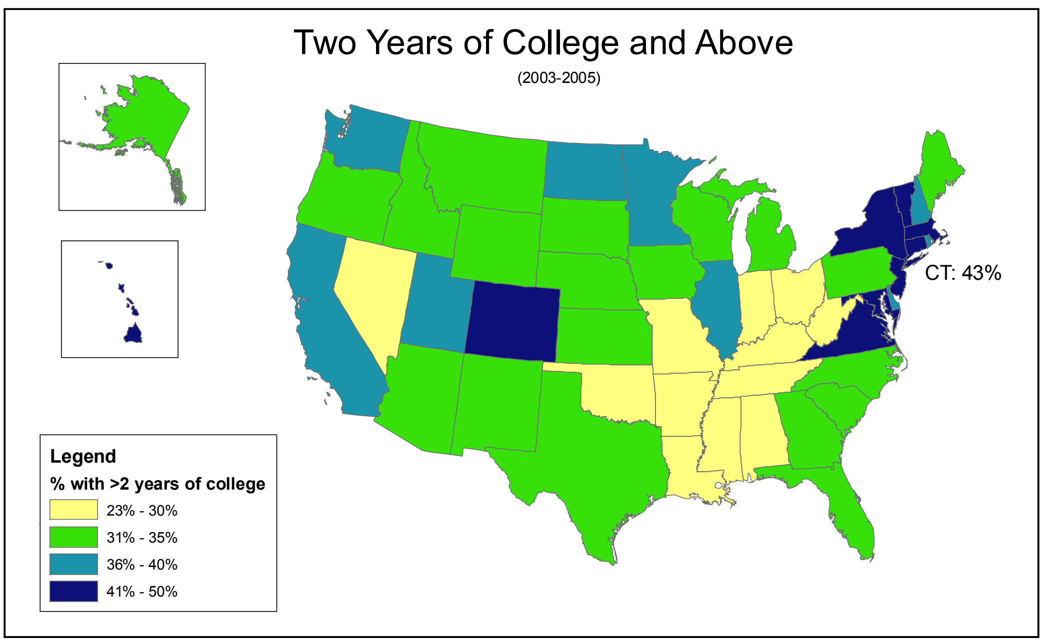
has compared quite well to other states on measures of wealth and asset-building potential.[2] Therefore this year's "C" rating is cause for concern.

The 2007-2008 *Scorecard* has added several measures that look more closely at ethnic and gender disparities. Separating broad indicators (e.g. net worth, asset poverty, business ownership) into categories that examine the performance of different racial/ethnic, gender, and socio-economic groups reveals unsettling information that Connecticut's favorable overall averages often mask. The increased weight and attention given to these asset disparities in have contributed to Connecticut's mediocre overall grade and give a more accurate assessment of the state.

The state's suddenly mediocre grade appears to be the result of three factors. First, the most recent scorecard includes several new measures that focus on ethnic and gender disparities, areas in which Connecticut performs poorly relative to other states. Second, Connecticut's performance has declined on several measures -- home ownership and median net worth have dropped since 2005, more households have zero or negative net worth or have filed for bankruptcy, fewer have checking accounts, and fewer workers get health insurance from employers. Third, even in areas in which Connecticut's performance remained constant, or even improved, other states showed improvement that exceeded Connecticut's, resulting in a slip in Connecticut's relative ranking.

Despite losing ground, Connecticut continues to rank well compared to other states on some measures:

- **Connecticut ranks fifth among states in net worth of its households**. Connecticut's median household net worth is $116,850, down from $127,604 (both in 2004 dollars).



- **Connecticut ranks among the top states in the concentration of workers with college degrees.** The state ranks 4th highest in the share of adults with two years of college and higher, and 4th highest in the share of adults with four years of college and higher.

However, other measures show that a lack of assets among many families, high levels of debt, and racial disparities threaten the state's overall quality of life and economic security:

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[2] Connecticut received a "B" grade in CFED's 2002 report on household assets, and an "A" grade in CFEDs 2005 report. See Douglass Hall, *Connecticut Family Asset Scorecard, 2005*. Connecticut Voices for Children, 2005. http://www.ctkidslink.org/pub_detail_240.html and Shelley Geballe, Douglass Hall, *Connecticut Family Assets: Asset Outcomes, 2002*. Connecticut Voices for Children, 2002. http://www.ctkidslink.org/pub_detail_56.html

- **One in five households in Connecticut is asset poor,** meaning they do not have sufficient resources to survive at the poverty level for three months without any income. One in four Connecticut children live in asset poor households.

- **Connecticut has among the worst racial disparities in assets in the nation.** Minority households are much less likely to be homeowners and are more likely to have low assets, as compared to white households.

  - Homeownership among minorities, at 43.1 percent, is far lower than the 74.5 percent homeownership rate among whites. This racial disparity places Connecticut 43rd out of 51 states and the District of Columbia, making it one of the most inequitable states, based on homeownership rates by race, in the nation.
  - Minority households in Connecticut are far more likely to be asset poor than white households. Only 13 percent of white households were asset poor, while 41 percent of minority households were asset poor.
  - The median white household in Connecticut is nearly 27 times wealthier than the average minority household ($179,000 for white households compared to just $7,000 for minority households). Connecticut's ranking is 26th out of 28 states measured, with only Massachusetts and New York showing greater inequality in household assets.

- **Connecticut households face a high debt load**, with the third highest level of average credit card debt in the country ($2,094) and the 10th highest level of average mortgage debt in the country ($151,914).

Connecticut's rankings on health care measures remain high, but show signs of deterioration.

- **Connecticut ranks 4th in the nation in the share of its working age population covered by employer-provided health insurance**, with 71.4% covered. Only New Hampshire, Minnesota, and New Jersey rank higher. **However, employer-provided health insurance for workers under 65 has declined 4.8 percentage points since 2000; the decline in coverage for children has been even greater,** down 6.1 percentage points. In both cases, the decline is greater than the national rate.

Connecticut Voices for Children will make recommendations to the 2008 General Assembly for legislation that would help families build and protect family assets. Some possible initiatives could include:

- Greater public investment in affordable housing and in initiatives to support first-time homeownership.
- Greater access to health insurance and quality affordable health care to protect family financial assets in the case of medical emergencies.
- Increased public investment in educational programs from birth through higher education, and greater financial assistance so lower- and middle-income youth can afford to complete college without taking on excessive debt.
- Greater public and private financial assistance for small business development.

This year's report is the most comprehensive to date, bringing a level of detail that exposes many of the blemishes that Connecticut's affluent self-image masks. Continued efforts to provide an accurate and complete picture of financial health in Connecticut will bring a needed revision to its affluent self-image: Connecticut is a state of great wealth for some, but a state of great need for many others.