CONNECTICUT VOICES FOR CHILDREN

Connecticut Family Asset Scorecard, 2005

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When families don't have enough assets, they may be one medical emergency or one layoff away from government dependence. Nor can they buy a home, send their kids to college, start a business, reduce or manage their debts, or make long-term investments….While the need to broaden asset ownership is great, the promise is even greater. Those with assets not only have brighter economic prospects, they're better, happier and more productive citizens….[W]hen families — including very poor families — own assets (as distinct from income), they are more likely to stay married, work harder, enjoy better physical and mental health, make educational plans for their children, feel more confident about and in control of their futures, take better care of their property, and be involved in community and political affairs.

Ray Boshara and Anne Struhldreher, "Building Assets: Creating a Culture of Savers and Investors," January 2005.

I. Introduction: Steering Families Toward Ladders of Success, Away from Chutes that Erode Wealth

Connecticut is a state of great wealth, but also great wealth inequality. Many families in the wealthiest state in the wealthiest country of the world are struggling to make ends meet. On

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1 Many thanks to CT Voices' President Shelley Geballe for her keen editing skills and ongoing intellectual guidance, to my colleague, Katie McKeon, for her assistance formatting the tables in this report, and to our national partners at CFED, particularly Beadsie Woo, Jennifer Brooks, Sam Bishop, and Jerome Uher. This project would not have been possible without the generous support of the Melville Charitable Trust. The author would like to add his thanks to the national funders of this work, the Annie E. Casey Foundation, the Ford Foundation, the Fannie Mae Foundation, and the Charles Stewart Mott Foundation.

the economic boardgame of life, too many families fall into chutes that erode family wealth. While Connecticut provides many ladders that families can use to move towards economic security, it needs to do more both to encourage family asset development, and to protect assets.

In 2003, eight percent of Connecticut residents (and eleven percent of children) were *income poor*, living in households with incomes below the federal poverty level.[2] The *Self Sufficiency Standard for Connecticut*, developed in 1999 for the Office of Policy and Management, looks at the actual income needed to support families in Connecticut – the amount of money needed to meet essential needs each month.[3] Based on both family composition and costs in twelve distinct regions in Connecticut, the self sufficiency standard typically corresponds to approximately *double* the federal poverty threshold. Based on this metric, about 20% of Connecticut residents are below the state's self-sufficiency standard.

These income measures give only a very general sense of a family's ability to build wealth – those with greater incomes are clearly more able to build wealth than are those with smaller incomes. We need to look at different information to assess the ability of families to move towards asset self-sufficiency. Nearly one in five (19%) Connecticut families are asset poor, i.e., lacking sufficient net worth to subsist at the federal poverty level for even three months without income. Families with assets – in the form of home equity, small business ownership, advanced educations, savings – are better able to weather the economic storms ("chutes" if you wish) that emerge unexpectedly. When confronted with economic disruptions from illness, divorce, or unemployment, families without assets can find themselves on 'chutes' that carry them – and their hopes for future prosperity – into the economic basement. Importantly, families with assets also have greater hope for the future, and are able to share the benefits of their assets with generations who follow.

Notably, Connecticut's minority populations face even greater *asset inequality* than they do *income inequality*. Data reported below show Connecticut falling in the bottom half on three critical measures of asset well-being by race and ethnicity: homeownership by race, asset poverty by race, and asset inequality by race. Connecticut's policies need to do more to deliberately target low income families of all races, helping them on the path to future prosperity.

This Connecticut specific report builds on CFED's *Assets and Opportunity Scorecard: Financial Security Across the States*,[4] CFED's follow-up to their inaugural report on state assets, the *2002 State Asset Development Scorecard*.[5] This report focuses on Connecticut's 'asset outcomes', highlighting where Connecticut performs well, compared to other states, on asset development, accumulation, distribution, and protection, and where it needs to do better.

II. Connecticut's Overall Grades[6]

CFED's *2005 Assets and Opportunity Scorecard* gives Connecticut an "A" Grade, reflecting the state's placement among the top ten states based on the combined grades from each of the five asset areas. Other 'top ten' states for asset outcomes were (in descending order):

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2 US Census Bureau, *American Community Survey, 2003*.

3 Diana Pierce, *Self-Sufficiency Standard for Connecticut* (Office of Policy and Management, 1999).

4 CFED, *Assets and Opportunity Scorecard: Financial Security Across the States* (CFED, 2005).

5 CFED, *2002 State Asset Development Scorecard* (CFED, 2002).

6 For more details on sources and methodology used by CFED in their rankings, see CFED's Asset Scorecard website, www.cfed.org/go/scorecard.

Vermont, Maine, New Hampshire, Minnesota, Delaware, Iowa, Missouri, Alaska, and (tied for 9th with Connecticut), Kansas.

As well, Connecticut earned a "+" designation for 'favorable' asset policies, a designation afforded 20 states (and the District of Columbia) for having policies that contribute to family asset building and asset protection.[7] CFED's report emphasizes, however, that *all states*, even those with favorable policy ratings, can do better. "While some states are further ahead than others in terms of such policies, all states have room for improvement."[8]

Connecticut's 'A+' grade masks significant variation in its grades, and importantly, masks several areas in which the state gets very low grades compared to those for other states. Indeed, Connecticut scores in the bottom half of all states on 12 of the 31 quantitative outcome measures (38%). At the other end of the spectrum, Connecticut ranks among the top ten states on seven measures.

III. Connecticut's Asset Outcome Performance, Measure by Measure

The following tables highlight the outcome areas in which Connecticut fares best and worst.

Connecticut's "Top Ten" Family Asset Rankings[9]

Outcome	CT Value	CT Rank	National #1
Reading Proficiency[10]	43%	1/51	CT
Net Worth of Household[11]	$121,525	2/51	$140,575 (MA)
Employer-Provided Health Insurance[12]	72%	4/51	77% (NH)
Math Proficiency[13]	41%	4/51	43% (NH)
Bankruptcy Filings[14]	3.46	7/51	2.14 (AK)
Health Care		8/51	WI
4 Years of College[15]	33%	8/51	41% (MD)

7 CFED's report uses the following policy grades: 'standard' (designated with an '0'); substandard (designated with a '-'); and 'favorable' (designated with a '+').

8 CFED, *2005 Assets and Opportunity Scorecard: Financial Security Across the States* (CFED, 2005), 8.

9 All of these data have been provided by CFED, and can be found on the assets and opportunity section of the CFED website: http://cfed.motointeractive.net/focus.m?parentid=31&siteid=404&id=404.

10 Percentage of 4th graders proficient in reading (NAEP). J. Braswell, M. Daane, and W. Grigg, Educational Testing Service, *The Nation's Report Card: Mathematics Highlights 2003* (National Center for Education Statistics, 2003). Department of Education, Institute of Education Sciences,. Washington, D.C.: November 2003.

11 Net worth of households at the median. US Census Bureau, *Survey of Income Program Participation* (SIPP), 2002.

12 Percentage of non-elderly population covered by employer-based health plans. Employee Benefit Research Institute, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2003 Current Population Survey* (EBRI, 2003).

13 Percentage of 4th graders proficient in mathematics (NAEP). P. Donahue, M. Daane, and W. Grigg, Educational Testing Service, *The Nation's Report Card: Reading Highlights 2003* (National Center for Education Statistics, 2003). Department of Education, Institute of Education Sciences, Washington, D.C.: November 2003.

14 Rate of non-business/consumer bankruptcy filings per 1000 people. *Annual US Bankruptcy Filings by State, 2000-2003.* (n.d.) Retrieved January 26, 2005 from http://www.abiworld.org/ContentManagement/ContentDisplay.cfm?ContentID=5389.

15 Percentage of population over age 25 with 16+ years of education (three-year average). U.S. Census Bureau, *Current Population Survey*, data tapes from 2000, 2001, and 2002.

Connecticut's "Top Ten" Family Asset Rankings[9]

Outcome	CT Value	CT Rank	National #1
Households with Savings Accounts[16]	74%	9/51	79% (IA)
Overall Grade		9/51	VT
Education		10/51	VT
Bold text for 'health care' and 'education' indicate these are rankings for these broad categories. **Bold and Red** for 'overall grade' emphasizes Connecticut's top ten overall ranking.			

Connecticut's "Bottom Half" Family Asset Rankings[17]

Outcome	CT Value	CT Rank	National #1
Small Business Ownership Rate[18]	11.8	27/51	20.2 (MT)
Home Value[19]	$3.95	28/51	$2.68 (TX)
Households with checking accounts[20]	29%	29/51	44% (OR)
Subprime Lending[21]	10.9%	30/51	3.8% (ND)
Homeownership by Gender[22]	1.161	31/51	1.052 (WY)
Asset Poverty by Gender[23]	0.64	29/45	1.66 (NV)
2 years of college[24]	7.6%	33/51	13.4% (ND)
Homeownership		35/51	WY
Homeownership by Income [25]	1.97	36/51	1.31 (NM)
Homeownership by Race[26]	1.95	43/49	.918 (HI)

16 Percentage of households with interest-bearing checking, savings, or money market accounts. U.S. Census Bureau, *SIPP* [Electronic data tape], 2002.

17 These rankings indude those on which Connecticut's scores fall in the bottom half of all states. They are presented here from least bad (small business ownership rate – at 27/51), to worst (private loans to small businesses, at 51/51 states). The ordering reflects both the numerator and the denominator, since clearly ranking 28th out of 51 ranked states should not be considered equivalent to ranking 28th out of 30 states.

18 Number of employer [firms with payroll as opposed to non-employer firms where there are no paid employees] and non-employer firms per 100 workers. U.S. Small Business Administration, Office of Advocacy. *Small Business Economic Indicators* (US Small Business Administration, 2003).

19 Ratio of median home value to mean wage. Median housing values data from US Census Bureau, Current Population Survey data tapes, 2000-2002. Average annual wage data from Bureau of Labor Statistics, *Average annual wages for 2002 for all covered workers by state.* Retrieved February 1, 2005 from http://bls.gov/cew/state2002.pdf.

20 Percentage of households with non-interest bearing checking accounts. US Census Bureau, *SIPP* [electronic data tape], 2002.

21 Percentage of all mortgage loans that are subprime loans. Mortgage Bankers Association. *National Delinquency Survey, Third Quarter 2004*, p.5.

22 Homeownership of male-headed households divided by homeownership of female-headed households (three-year average). U.S. Census Bureau, *Current Population Survey*, data tapes from 2000, 2001, and 2002.

23 Asset poverty of male-headed households divided by asset poverty rate of female-headed households. U.S. Census Bureau, *SIPP* [Electronic data tape], 2002.

24 Percentage of population over 25 years of age whose highest degree is an associate's degree. U.S. Census Bureau, *Current Population Survey*, data tapes, 2000-2002.

25 Homeownership of top income quintile-headed household divided by homeownership of bottom income-quintile headed households (three-year average). U.S. Census Bureau, *Current Population Survey*, data tapes, 2000-2002.

26 Homeownership of white-headed households divided by homeownership of non-white headed households (three-year average). U.S. Census Bureau, *Current Population Survey*, data tapes, 2000-2002.

Connecticut's "Bottom Half" Family Asset Rankings[17]			
Outcome	CT Value	CT Rank	National #1
Asset Poverty by Race[27]	0.30	28/30	.88 (NV)
Asset Inequality by Race[28]	28.3	28/30	2.7 (NV)
Private Loans to Small Businesses[29]	$774	51/51	$2,735 (AK)

A: Financial Security Outcome Measures

Rank (CT)	13/51
#1 Ranked State	NH
Grade (CT)	B
Policy Direction	+

1. Net Worth of Households

Indicator Summary	
CT Value	$121,525
CT Rank	2/50
Value in #1 Ranked State	$140,575 (MA)

At $121,525, Connecticut's 2002 median household net worth ranked second only to Massachusetts (at $140,575). Net worth equals the sum of assets attributable to any individual living in the household who is age 15 years and above, less any liabilities. Assets included in this measure include interest-earning assets, stocks and mutual fund shares, real estate (own home, rental property, vacation homes, and land holdings), owned 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 District of Columbia has the lowest median net worth, at $11,000. The median net worth in other neighboring states is: Rhode Island (#28 at $59,550), New York (#32 at $50,892), and New Jersey (#3 at $110,846).

27 Asset poverty rate of white headed households divided by asset poverty rate of non-white headed households. U.S. Census Bureau, *SIPP* [Electronic data tape], 2002.
28 Mean net worth of white headed households divided by mean net worth of non-white headed households. U.S. Census Bureau, *SIPP* [Electronic data tape], 2002.
29 Dollars of private business loans under $1 million made in 2002, per worker [employed in the state], U.S. Small Business Administration, 2003 (from 2002 CRA data).

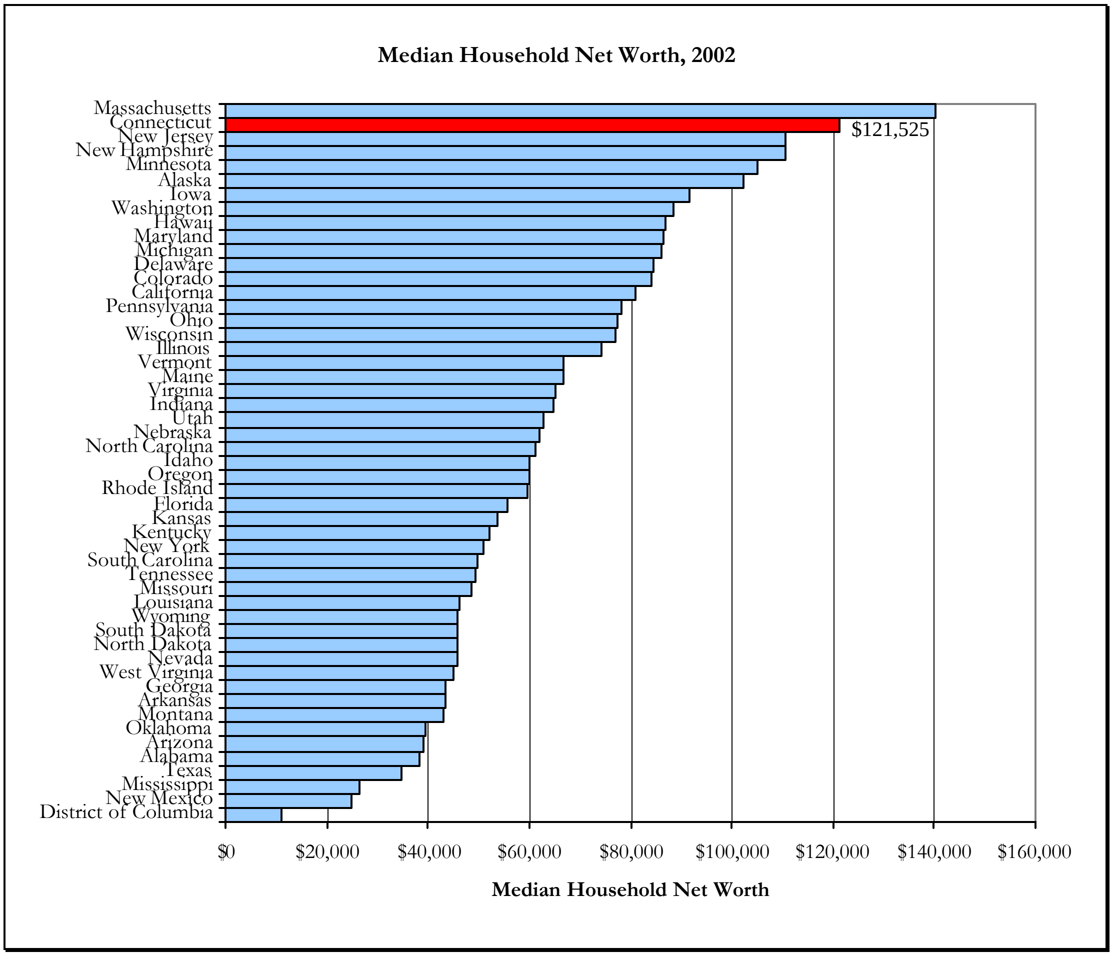
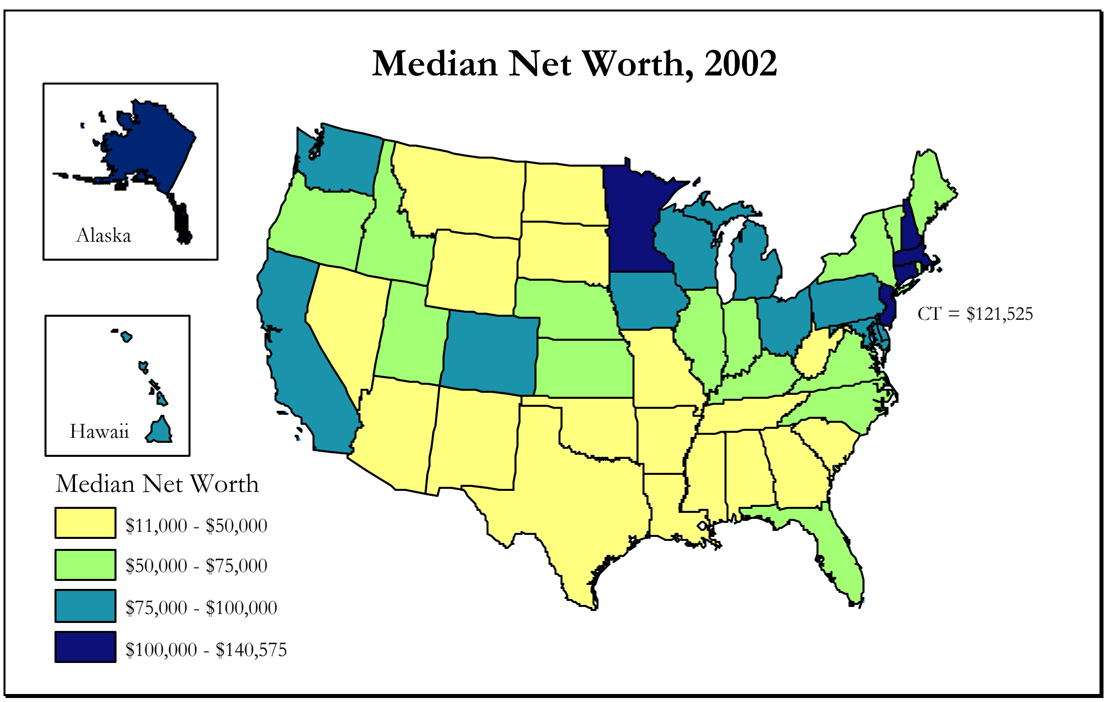

Median Household Net Worth, 2002
Massachusetts
Connecticut
New Jersey
New Hampshire
Minnesota
Alaska
Iowa
Washington
Hawaii
Maryland
Michigan
Delaware
Colorado
California
Pennsylvania
Ohio
Wisconsin
Illinois
Vermont
Maine
Virginia
Indiana
Utah
Nebraska
North Carolina
Idaho
Oregon
Rhode Island
Florida
Kansas
Kentucky
New York
South Carolina
Tennessee
Missouri
Louisiana
Wyoming
South Dakota
North Dakota
Nevada
West Virginia
Georgia
Arkansas
Montana
Oklahoma
Arizona
Alabama
Texas
Mississippi
New Mexico
District of Columbia
$121,525
$0
$20,000
$40,000
$60,000
$80,000
$100,000
$120,000
$140,000
$160,000
Median Household Net Worth

Figure 1

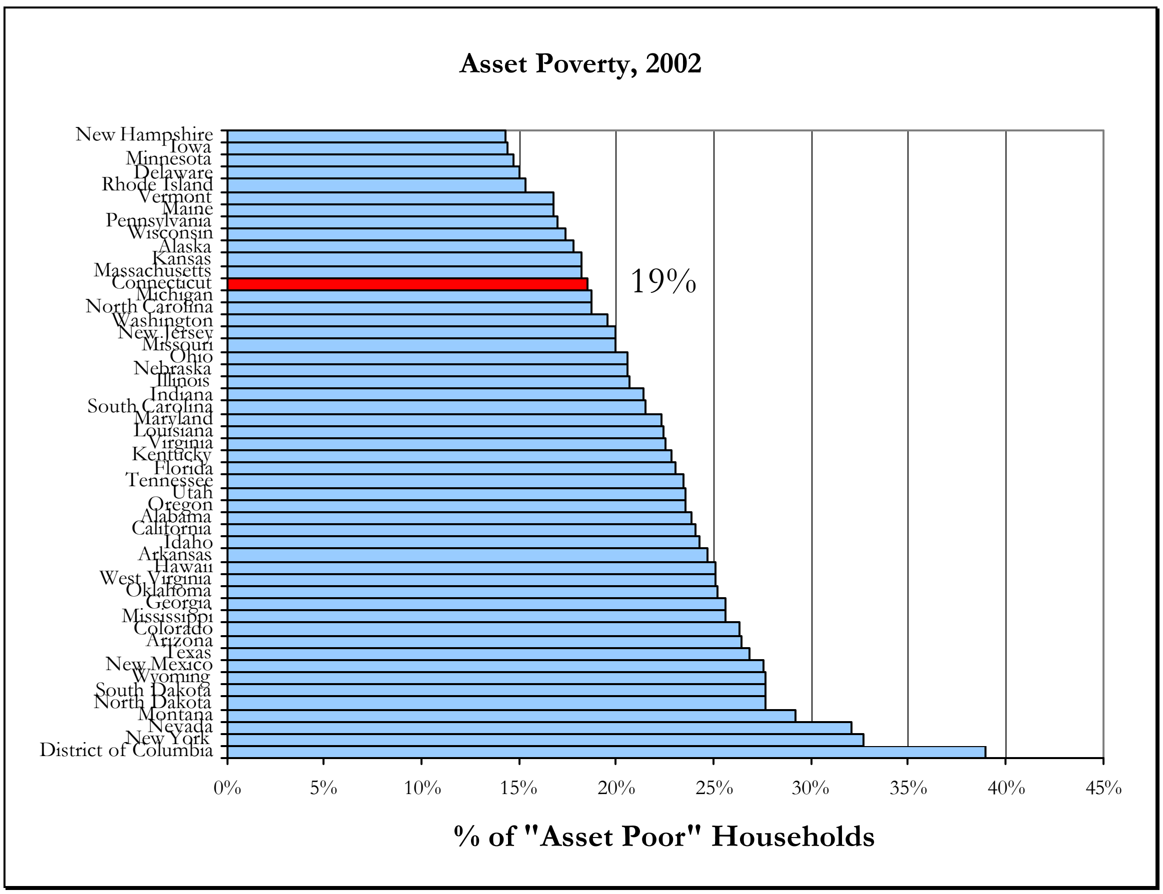

Median Net Worth, 2002
Alaska
Hawaii
CT = $121,525
Median Net Worth
$11,000 - $50,000
$50,000 - $75,000
$75,000 - $100,000
$100,000 - $140,575

2. Asset Poverty/Households Without Assets

Indicator Summary	
CT Value	19%
CT Rank	13/50
Value in #1 Ranked State	14% (NH)

This indicator measures the proportion of households without sufficient net worth to subsist without income at the poverty level for three months. Nearly 1 in 5 Connecticut households are "asset poor," lacking adequate savings or other assets to provide this three-month cushion, even living at the federal poverty level. Comparing these asset poverty numbers to Census Bureau data for *income* poverty, we see that three times as many Connecticut households were *asset poor* than were *income poor* (6.4% in ACS 2003)[30].

Connecticut's 2002 Asset Poverty rate of 19% ranks it 13th among the 50 states and the District of Columbia, behind New England states New Hampshire (1st at 14%), Rhode Island (5th at 15%), Maine and Vermont (tied for 6th at 17%), and Massachusetts (12th at 18%). Connecticut fares better on this measure than neighboring New Jersey (17th at 20%), and New York (50th at 33%).



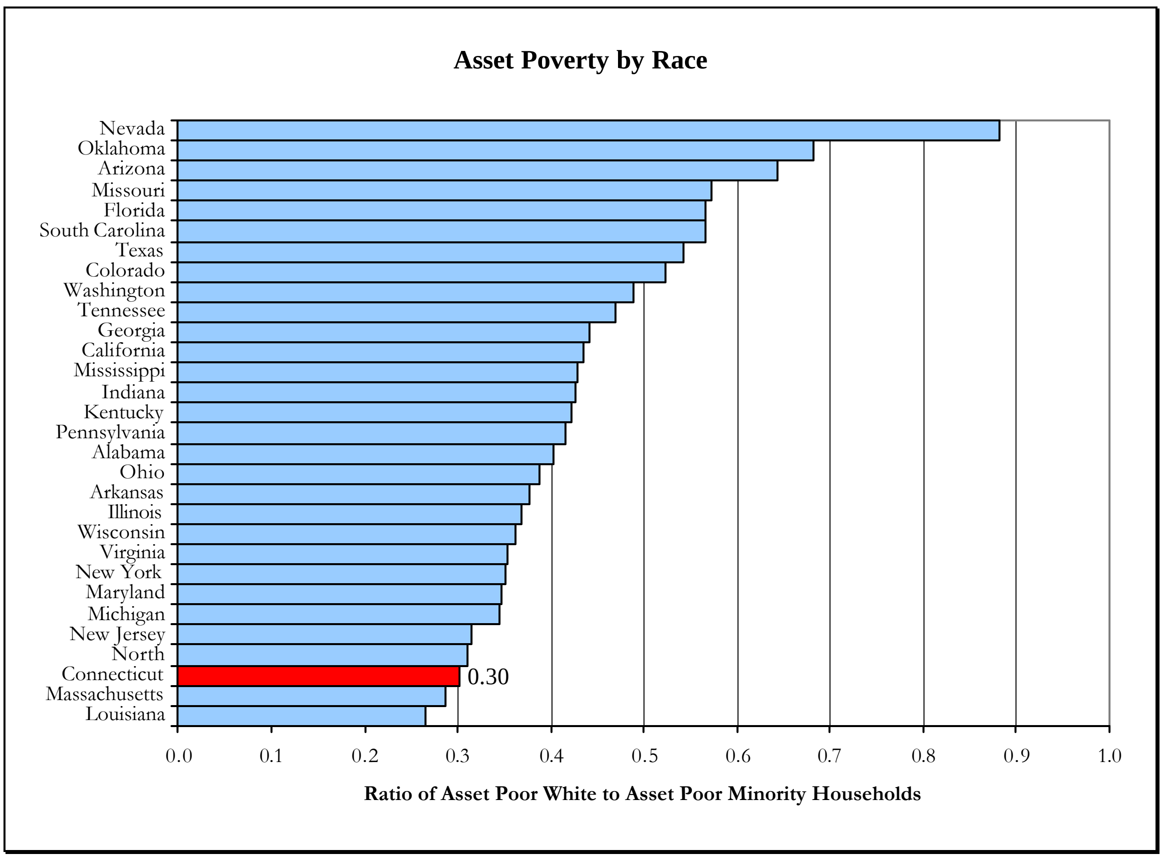
30 United States Census Bureau, *American Community Survey*, Table P116, "Poverty status in the past 12 months of families by family type by presence of related children under 18 years by age of related children."

3. Asset Poverty by Race

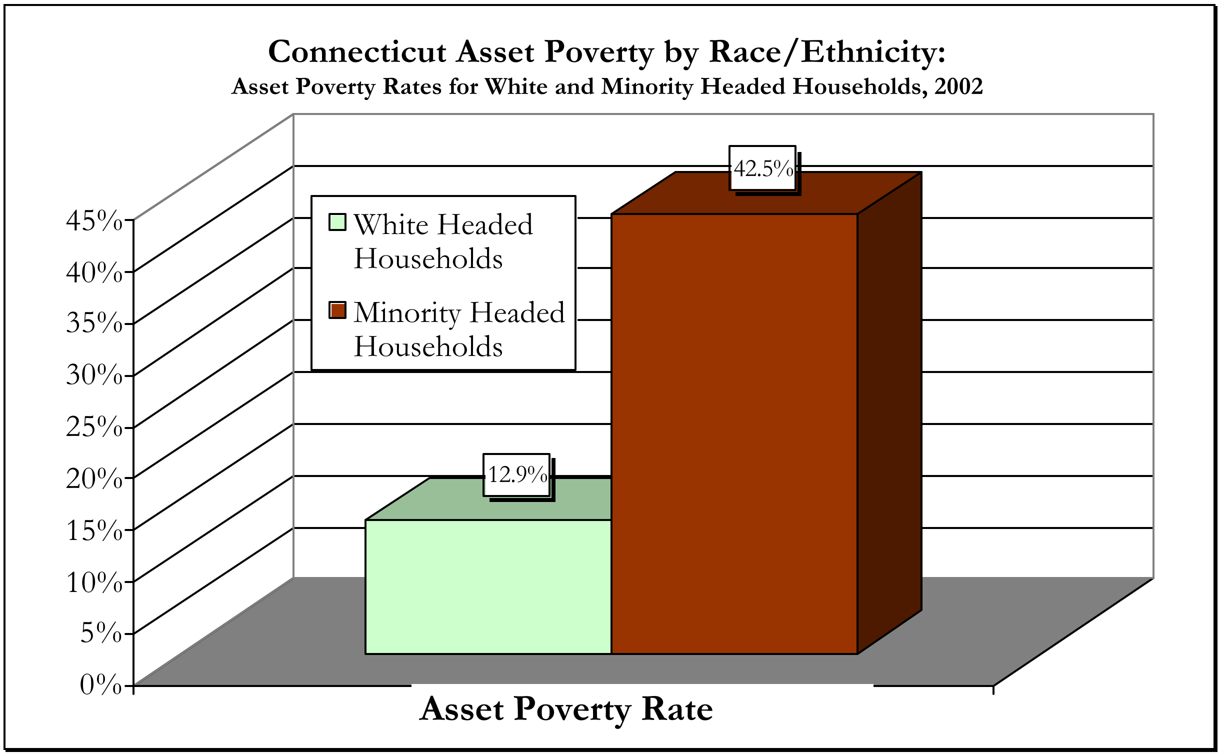
Indicator Summary	
CT Value	.30
CT Rank	28/30
Value in #1 Ranked State	.883 (NV)

This measure is a ratio of the asset poverty rate of households headed by someone self-identified as white divided by the asset poverty rate of households headed by someone self-identified as black, Asian, Pacific Islander, American Indian, Aleut, Eskimo, or from a Hispanic country. Connecticut fares very poorly on this measure, ranking 28th out of 30 states. The proportion of white headed households who are asset poor is less than a third the proportion of non-white headed households who are asset poor. Connecticut's ratio of .302 compares to top ranking Nevada (.883), and neighboring states New York (23rd at .352), New Jersey (26th at .314), and Massachusetts (29th at .287).

The chart below shows Connecticut's asset poverty by race ratio as compared to other states.



Asset poverty rates for both white and minority households are shown in the chart below. In a state of such wealth (both asset and income wealth), such wide disparities undermine attempts to build strong and healthy communities.



While Connecticut's "asset poverty by race ratio" is among the worst in the country, looking only at asset poverty among minorities (rather than in relation to asset poverty among whites) yields only somewhat less troubling results. With 43% of Connecticut's minorities being asset poor, the state ranks 23rd out of 30 states. Neighboring New York (58%) and Massachusetts (45%) both fare even worse. It is equally troubling that even in the "highest" ranking states, *one in three* minority household is asset poor: South Carolina (31%), Missouri (31%), and Florida (33%).

4. Asset Poverty by Gender

Indicator Summary	
CT Value	.64
CT Rank	29/45
Value in #1 Ranked State	1.66 (NV)

Connecticut's asset poverty by gender ratio of 0.64 ranks it in the bottom half (29th) of the 45 states with a score for this indicator, indicating that households headed by women are considerably more likely to be asset poor than are households headed by men. In leading states Nevada (1.66) and New Hampshire (1.50), the opposite is true. Neighboring states New York (0.76) and Massachusetts (0.74) fare somewhat better than does Connecticut.

Notably, when looking only at the percentages of asset poor female-headed households (rather than compared in a ratio to the percentage of asset poor male headed households), Connecticut's results are much better. Just under one quarter (23%) of Connecticut's female-headed households are asset poor, ranking Connecticut 11th highest among 45 states. At 11%, New Hampshire has the best result for this indicator, while New York has the worst, at 37%.

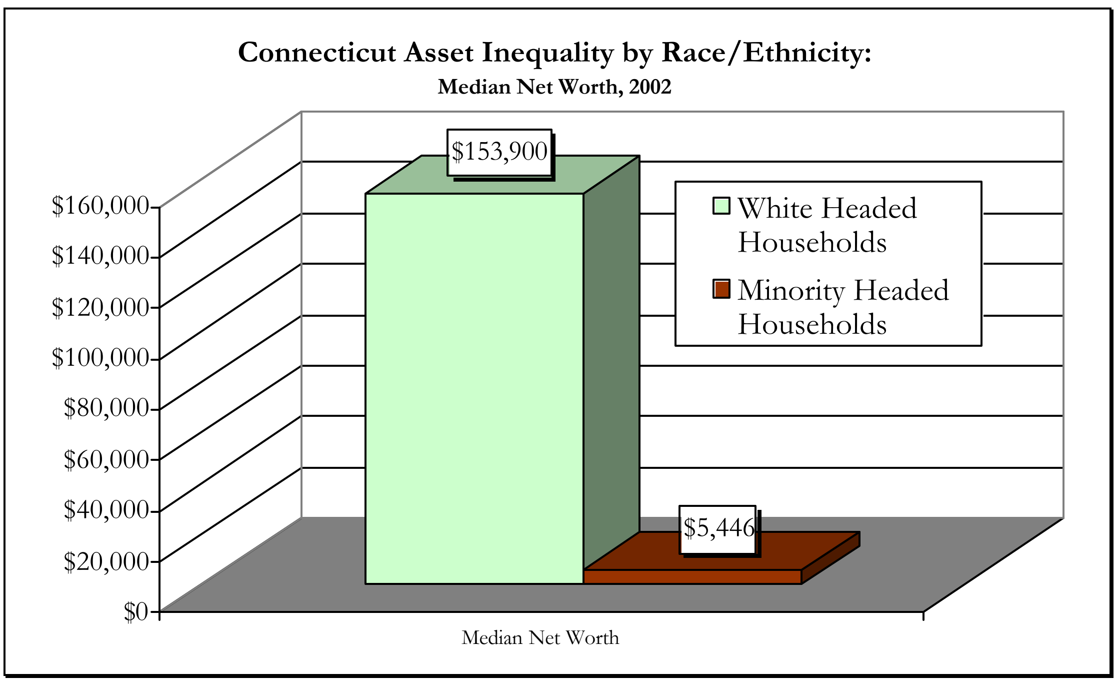
5. Asset Inequality by Race

Indicator Summary	
CT Value (ratio)	28.3
CT Rank	28/30
Value in #1 Ranked State	2.73 (NV)

This measure is a ratio of the median net worth of households headed by a white householder to the median net worth of those headed by householders self-identified as Black, Asian, Pacific Islander, American Indian, Aleut, Eskimo, or from a Hispanic country. Connecticut's poor showing on this indicator – ranking 28th of 30 states, with a ratio of 28.3 -- highlights the extent to which asset inequality in Connecticut is associated with race. Simply worded, this indicator shows that "average" white households in Connecticut (at the median) are 28 times wealthier than "average" minority households (at the median).

Neighboring states Massachusetts and New York fill out the two bottom rankings, with ratios of 28.3 and 31.4, respectively. The state with the least inequality in assets by race is Nevada, at 2.73.

Thomas Shapiro, of Brandeis University's Institute for Assets and Social Policy, explains that disparities in wealth can be attributed to a combination of the historical legacy of race in this country, which he refers to as "the role of the past in the present," and ongoing institutional racism, particularly in areas relating to housing and homeownership.[31]



[31] Thomas Shapiro, Speech to the Center for Social Development's conference, "States and Assets: Building an Inclusive Policy Agenda," (April 21-22, 2005). For a more complete discussion of the relationship between wealth and race in the United States, see Melvin L. Oliver and Thomas M. Shapiro, *Black Wealth, White Wealth: A New Perspective on Racial Inequality*, (Routledge, New York, 1997).

6. Asset Inequality by Gender

Indicator Summary	
CT Value (ratio)	1.48
CT Rank	17/44
Value in #1 Ranked State	0.53 (NH)

Connecticut ranks 17th on this measure (with a ratio of 1.48), meaning that male headed households at the median have almost one and a half times the net worth of female headed households at the median. Among other Northeast states, New Hampshire (1st with a ratio of 0.53), Massachusetts (12tth with a ratio of 1.43), and New Jersey (16th with a ratio of 1.48) receive higher grades on this measure, while New York's ratio of 2.06 falls 30th, behind Connecticut.

Notably, however, if state measures for median net worth of households headed by women are considered only in relation to each other (rather than in comparison to households headed by men), Connecticut fares much better, ranking 3rd, behind New Hampshire and Massachusetts. Moreover, the median net worth of Connecticut's female headed houses is higher than the net worth of *all* households in all but six states (one of which is Connecticut).

7. Households with No Net Worth

Indicator Summary	
CT Value (%)	12.1%
CT Rank	11/51
Value in #1 Ranked State	8.3% (NH)

This measure highlights the fact that many families have a very long way to go to achieve the economic security that is afforded by asset self-sufficiency. With 12.1% of households lacking *any* net worth, Connecticut ranks 11th out of 51 states and the District of Columbia. Northeast states generally fared very well on this measure, ranking 1st (New Hampshire), 2nd (Vermont), 4th (Rhode Island), 12th (Massachusetts), and 14th (New Jersey). Only New York, with over ¼ of households lacking any net worth, fares relatively poorly, ranking 49th (slightly ahead of Nevada and bottom ranking the District of Columbia where 25.7% of households have no net worth).

8. Households with Checking Accounts

Indicator Summary	
CT Value (%)	29.25%
CT Rank	29/51
Value in #1 Ranked State	43.53% (OR)

'Banked' households do much better financially than their 'unbanked' counterparts. This measure shows the percentage of households with non-interest bearing checking accounts. On this measure, Connecticut does quite poorly, ranking 29th (with only 29% of households holding checking accounts). This relatively poor ranking is likely reflective of the fact that *interest-bearing* checking accounts are not included in the "checking" account measure. Rather, they are counted as "savings" accounts, a measure on which Connecticut ranks in the top ten (see below). In top ranked Oregon, 44% of households have checking accounts, while in lowest rank Georgia, only 18% of households have checking accounts.

Among neighboring states, only New Jersey ranks higher than Connecticut, at 23rd, while Rhode Island ranks 43rd, New York ranks 45th, and Massachusetts ranks 46th.

9. Households with Savings Accounts.

Indicator Summary	
CT Value (%)	73.92%
CT Rank	9/51
Value in #1 Ranked State	79.33% (IA)

If the presence of checking accounts demonstrates that a family is 'banked', the presence of a savings account[32] indicates that a family is consciously in an 'asset-building' frame of mind. With 74% of Connecticut's households holding savings accounts, Connecticut ranks 9th highest among the 50 states and the District of Columbia. Interestingly, in many states there appears to be an inverse relationship between the percent of households holding savings accounts and the percent holding checking accounts, suggesting that there may be either institutional or cultural factors at play that determine which of these banking instruments are being offered in a state. For example, Connecticut's 9th place ranking for savings accounts offsets a poor ranking of 29th for checking accounts. Second ranked New Hampshire ranked 42nd for checking accounts, while 51st ranked West Virginia ranked 5th for checking accounts.

10. Bankruptcy Filings

Indicator Summary	
CT Value (rate)	3.46
CT Rank	7/51
Value in #1 Ranked State	2.14(AK)

Bankruptcies occur when household expenses and debt exceed household incomes and assets to such an extent that the gap can no longer be bridged through revolving credit. A 2003 report, *Borrowing to Make Ends Meet*, highlights the explosive growth of credit card debt during the 1990s, from $2,697 (2001$) for each family in the United States in 1989 to $4,126 per family in 2001.[33] The end result for too many families is bankruptcy, particularly when the growth in credit card debt is compounded by unexpected expenses brought on by a catastrophic illness, or by disruptions to personal finances resulting from a family death, divorce, or job loss.

The measure for bankruptcy reflects the number of consumer bankruptcy filings for every 1000 people. Connecticut's bankruptcy rate of 3.5 is less than one third the bankruptcy rate of bottom ranking Tennessee (at 11.1). New England states Massachusetts and Vermont rank second and third (behind leading state Alaska), while neighboring New York (10th), Rhode Island (18th), and New Jersey (24th) have higher bankruptcy rates than Connecticut.

11. Subprime Lending

Indicator Summary	
CT Value (%)	10.9%
CT Rank	30/51
Value in #1 Ranked State	3.8% (ND)

This measure looks at the percent of all mortgage loans that are sub-prime loans (as of September 2004). Some of these sub-prime loans may be considered "predatory loans" as well, i.e., loans rooted in 'deceptive and in

32 'Savings accounts' are defined here to include interest-bearing checking accounts.
33 Tamara Draut and Javier Silva, *Borrowing to Make Ends Meet: The Growth of Credit Card Debt in the '90s* (Demos, New York, 2003).

some cases illegal practices to coerce borrowers into unfavorable mortgage agreements,"[34] that are often targeted at minority, elderly, and poor families.[35] New research shows that in the 4th quarter of 2003, more than 5% of sub-prime borrowers were "in the foreclosure pipeline, and thus at risk of losing their homes," compared to just 1% of prime borrowers.[36]

Connecticut ranks 30th on this measure, with 11% of mortgage loans at sub-prime interest rates, compared to top ranking North Dakota at 4%, and bottom ranking Rhode Island, at 16%.

B. Financial Security Policies

Policy		Grade/Value[37]
Asset Building Savings Program	State IDA	0
	TANF $	0
	+/-	0
Income Tax Threshold	$	$19,100
	+/-	+
Tax Credit for Low-wage workers	EITC	0
	Refundable?	0
	GE 15%	0
	+/-	0
Minimum Wage	+/-	0

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34 Steve Bourassa, *Predatory Lending in Jefferson County: A Report to the Louisville Urban League*, (Urban Studies Institute, School of Urban and Public Affairs, 2003), cited in Roberto Quercia, Michael Stegman, and Walter Davis, *The Impact of Predatory Loan Terms on Subprime Foreclosures: The Special Case of Prepayment Penalties and Balloon Payments* (Kenan-Flagler Business School, 2005). http://www.kenanflagler.unc.edu/assets/documents/foreclosurepaper.pdf. Quercia et al, *op.cit*.

35 In communities across America, people are losing their homes and their investments because of predatory lenders, appraisers, mortgage brokers and home improvement contractors who:

- Sell properties for much more than they are worth using false appraisals.
- Encourage borrowers to lie about their income, expenses, or cash available for downpayments in order to get a loan.
- Knowingly lend more money than a borrower can afford to repay.
- Charge high interest rates to borrowers based on their race or national origin and not on their credit history.
- Charge fees for unnecessary or nonexistent products and services.
- Pressure borrowers to accept higher-risk loans such as balloon loans, interest only payments, and steep pre-payment penalties.
- Target vulnerable borrowers to cash-out refinance offers when they know borrowers are in need of cash due to medical, unemployment or debt problems.
- "Strip" homeowners' equity from their homes by convincing them to refinance again and again when there is no benefit to the borrower.
- Use high pressure sales tactics to sell home improvements and then finance them at high interest rates.

United States Department of Housing and Urban Development, "Don't be a Victim of Loan Fraud," http://www.hud.gov/offices/hsg/sfh/buying/loanfraud.cfm.

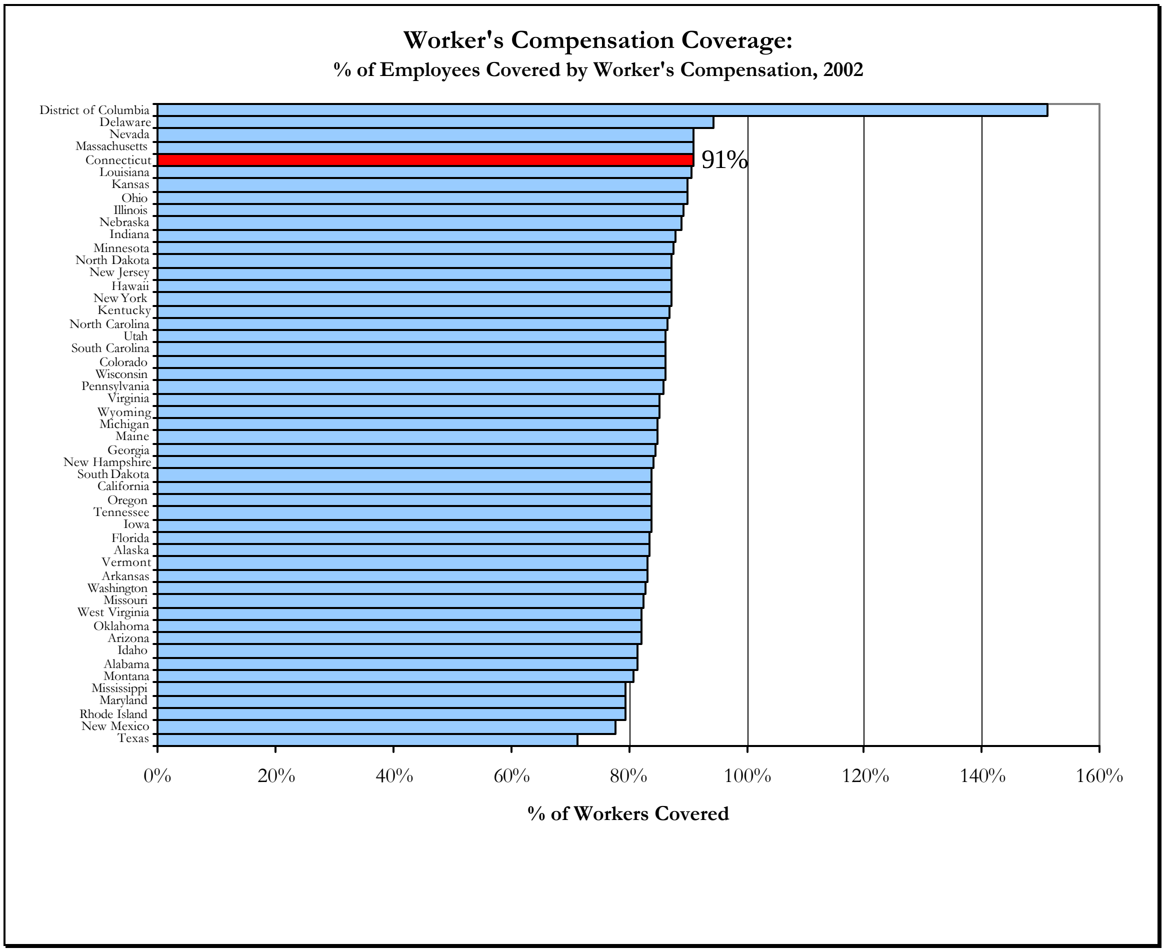
36 Quercia et al, *op.cit*.

37 CFED's report uses the following policy grades: 'standard' (designated with an '0'); substandard (designated with a '-'); and 'favorable' (designated with a '+'). Occasionally, as with the income tax threshold, the values are also shown.

Policy		Grade/Value[37]
Asset Limits	TANF $ Limit	+
	TANF Vehicle	-
	FS Vehicle	-
	Medicaid $	0
	+/-	-
Banking For Low-income consumers	+/-	0
Comm Reinvestment Requirements	+/-	+
Lending Norms and Standards	+/-	0
Short-term Loan Protection	+/-	0
Property Insurance Disclososure	+/-	0
Worker's Compensation Coverage	Ratio	0.91
	+/-	+
Worker's Compensation Benefits	#	14.0
	+/-	+
UI Benefit Levels	Ratio	0.32
	+/-	-
UI Benefit Eligibility	+/-	+
Family Leave	+/-	+

CFED's Asset Scorecard ranks Connecticut's policies contributing to financial security as 'favorable' overall, including favorable grades for having a high personal income tax threshold, an asset limit exemption greater than $2,000 for receipt of TFA/TANF, state level Community Reinvestment Act type legislation covering state level banks, relatively generous coverage of workers under the state worker's compensation program (see chart below for 50+ state comparison), relatively high workers' compensation benefit levels[38] (see chart below), relatively generous unemployment benefit eligibility criteria, and better than typical family leave benefits.

[38] As compared to the 2003 recommendations of the National Commission on State Worker's Compensation Laws.



C. Business Development Outcome Measures

Rank (CT)	33/51
#1 Ranked State	MT
Grade (CT)	C
Policy Direction (CT)	0

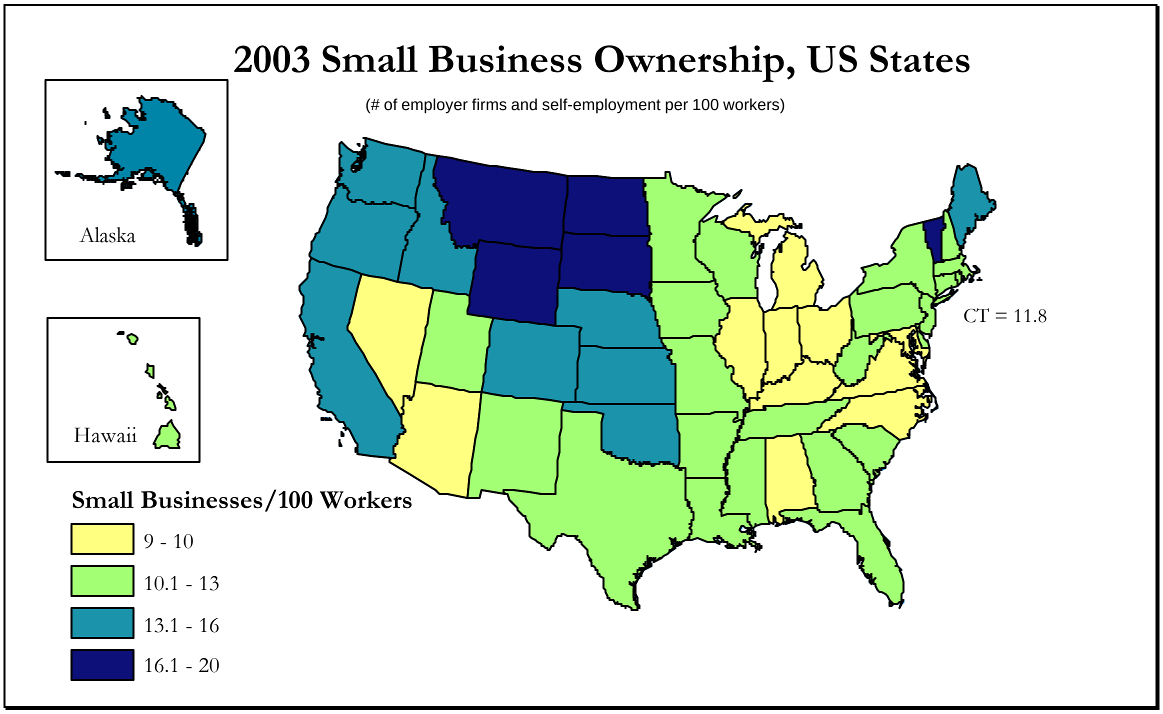
12. Small Business Ownership Rates

Indicator Summary	
CT Value	11.8
CT Rank	27/51
Value in #1 Ranked State	20.2 (MT)

Connecticut's small business ownership rate ranks 27th among all states, with 11.8 employer[39] and self-employment firms for every 100 people in the labor force, solidly in the 'middle of the pack' between top ranking Montana (20.2 firms/100 workers), and bottom ranking Nevada (9.2 firms/100 workers). This business ownership measure provides a sense of the proportion of state residents who have the opportunity to build wealth through business capital. The map below highlights regional

[39] 'Employer firms' are those with payroll as opposed to non-employer firms where there are no paid employees.

variations in small business ownership, with the highest level of small business ownership evident in the Great Plains states, and noticeably lower levels of small business ownership in the East (with Vermont and Maine standing as exceptions).



13. Private Loans to Small Businesses

Indicator Summary	
CT Value ($)	774
CT Rank	51/51
Value in #1 Ranked State	2,735 (AK))

This indicator shows the dollar amount of private business loans under $1 million made in 2002, for every worker employed in the state. This measure provides another window on the ability of families to build wealth through small business ownership. Small business employment in the aggregate contributes significantly to state economies. This is true in Connecticut also, despite its bottom ranking $774 per worker on this measure. Indeed, the *Connecticut Economic Digest* reports that "small business establishments play a large role in Connecticut's economy. These establishments help fuel the state's economic engine and are vital to the State's economic health."[40] In the period from March 1996 to March 2004, the growth in small businesses accounted for 97% of the growth in the total number of businesses in Connecticut. Moreover, during this period, small businesses (those with fewer than 50 employees) experienced *employment growth* of 8.9%, compared to *employment decline* of 1.3% in medium and large businesses (those with more than 50 employees).[41]

Interestingly, neighboring Rhode Island and Massachusetts also fare poorly on this measure, filling the 50th and 49th ranking spots at $834 and $955 respectively per worker. New Jersey (35th) and New York (39th) also ranked in the bottom half on this measure.

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[40] Edward T. Doukas Jr., "Small Business Profile," *Connecticut Economic Digest*, Vol. 10 No. 5, May 2005, 1.
[41] *Ibid*, 2.

Small businesses in top ranking Alaska, in contrast, have access to more than three times the private capital per worker ($2,735) than do Connecticut's small businesses.

14. Microenterprise Ownership Rate

Indicator Summary	
CT Value (rate)	15.4
CT Rank	12/50
Value in #1 Ranked State	19.5 (MT)

Given Connecticut's mediocre score for small business ownership rate and weak performance in private loans to small businesses, it may be surprising that the state does quite well in microenterprise development, ranking 12th among the states with 15.4 microenterprises per 100 workers in the workforce. Among Northeastern states, Vermont and New York score well on this measure, ranking 2nd and 8th with 19 and 17 microenterprises per 100 workers, respectively.

D. Business Development Policies

Small Business Investment [$ per worker]		Incentives for Private Lenders	Micro-enterprise Support	Support for Community Development Lenders	Support for Poor Farmers			Unemployment Benefits for Entrepreneurs
$	+/-	+/-	+/-	+/-	Agricultural Bonds	Assistance for Asset-poor future farmers	+/-	+/-
41.36	+	0	-	0	0	0	0	0

Connecticut earns a 'favorable' ranking for its investment in small businesses, a 'standard ranking' for incentives for private lenders, for support for community development lenders, for support for poor farmers, and for unemployment benefits for entrepreneurs, and a 'substandard' ranking for micro-enterprise support.

E. Homeownership Outcome Measures

Homeownership Score (CT)	172
Average Score	29
Rank (CT)	35/51
#1 Ranked State	WY
Grade (CT)	C
Policy Direction (CT)	+

15. Home Value

Indicator Summary	
CT Value ($)	3.95
CT Rank	28/50
Value in #1 Ranked State	2.68(TX)

This measure recognizes that high costs can make homeownership inaccessible for many. By presenting the median housing value in relation to the annual average wage, we get a better picture of the capacity of families living in each state to build wealth through homeownership. The more expensive a housing is, in comparison to wages, the less likely families will be able to afford to own their own homes. In states like Connecticut, with particularly high wages at the upper end, using the median wage rather than the mean would have provided a more accurate picture of home affordability.

While Connecticut has very high median house values, comparatively high wages make ownership a viable option where it would not be in the absence of adequate wages. Connecticut scores 28th among the states on this measure, with median house values almost 4 times greater than mean annual wages.

New England states generally score poorly on this measure, with median house values more than 5 times greater than mean wages in Rhode Island (45th), New Hampshire (47th), Massachusetts (48th). Connecticut fares better than both New Jersey (36th) and New York (31st) also.

16. Homeownership Rate

Indicator Summary	
CT Value %	73%
CT Rank	18/51
Value in #1 Ranked State	78.1% (WV)

Homeownership not only provides families with a stable home, it also is a primary means to build a base of wealth. Homeownership rates ('owner households' as a percentage of 'total occupied households') vary considerably across the country, from a high of 78% in West Virginia to a low of 43% in the District of Columbia.[42] Connecticut ranks 18th, with a 73% homeownership rate, well ahead of regional neighbors New Jersey (42nd at 67%), Massachusetts (46th at 64%), Rhode Island (47th at 60%), and New York (50th at 54%). Among other New England states, both Maine (13th) and New Hampshire (8th), fare better on this measure than does Connecticut.

As seen in the figure below, national homeownership rates have increased from 63% in 1965 to 69% in 2005.[43] In the period since 1984, Connecticut's homeownership rates have been higher than the national rates, with the exception of 1994.[44]

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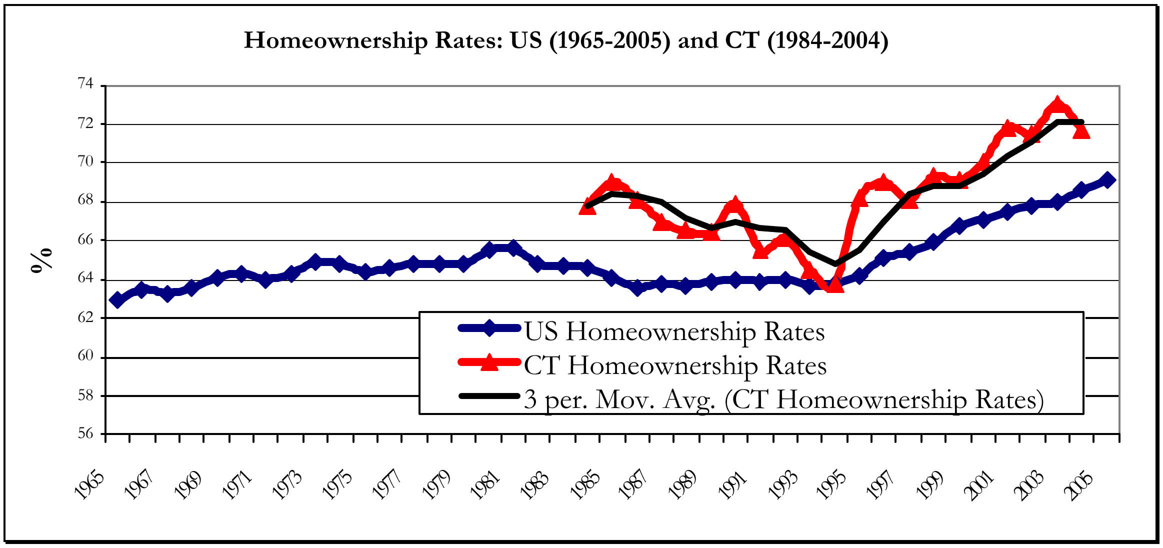
[42] These data are from the United States Census Bureau's "Housing Vacancy and Homeownership" data.

[43] These data are 'first quarter' data, taken from United States Census Bureau, "Housing Vacancy and Homeownership", Table 5 (http://www.census.gov/hhes/www/housing/hvs/qtr105/q105tab5.html).

[44] Because these data are based on sampling, the extreme decline in homeownership for Connecticut in 1994 apparent in the data may not accurately reflect the real rate. The accompanying figure has a three year trend line fitted for Connecticut, to moderate statistical fluctuations.



The 2002 Connecticut Family Asset Report detailed the extent to which homeownership rates fluctuate *within* Connecticut also. Based on 2000 Census data (that have not yet been updated), we saw a fluctuation in homeownership rates ranging from 25% in Hartford to 95% in Killingworth and Burlington. The lowest rates prevailed in Connecticut's cities, with New Haven, New London, New Britain, Bridgeport, Waterbury and Windham falling in line just ahead of Hartford.

17. Homeownership by Race

Indicator Summary	
CT Value (ratio)	1.95
CT Rank	43/49
Value in #1 Ranked State	.92 (HI)

Homeownership can be a particularly important tool for asset accumulation among populations that tend to have lower levels of wealth. In Connecticut, as elsewhere in the United States, minority populations tend to have lower levels of wealth and lower rates of homeownership.

The measure used for assessing homeownership by race compares the homeownership rates among those self identified as white with homeownership among those identified as minority populations.[45] Connecticut ranks 43rd[46] with white homeownership almost double minority homeownership (with a ratio of 1.95). This compares to lowest ranking New York (with a ratio of 2.43), 47th ranking New Jersey (at 2.15), and 45th ranking Massachusetts (at 2.02). By way of contrast, in both New Mexico and Hawaii, minority populations have *higher* rates of homeownership than do white households.

Nationally, the share of households headed by minorities has increased significantly between 1980 and 2000, from 17 to 26 percent in 2000.[47] Fueled by immigration and higher natural rates of population growth, minority homeownership is projected to reach about 34 percent by 2020. Indeed, in one major US city – Miami – the majority of households are already headed by foreign-born individuals.[48] In urban centers throughout the United States, the steady influx of immigrants has added significantly to housing demand, accounting for a

[45] This measure combines data for three years, 2000-2002.
[46] Of 49 states and the District of Columbia.
[47] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing, 2004* (Joint Center for Housing Studies, 2005), 11.
[48] *Op. cit.*

growing number of new and resale sales of houses.[49] While economic barriers may slow the ability of immigrants to purchase homes, many immigrants also may lack knowledge regarding the logistics of acquiring a home in this country, according to the Joint Center for Housing Studies of Harvard University. Aggressive language-sensitive outreach programs might increase homeownership among such immigrant populations.

While households headed by immigrants account for 11% of households nationwide and 12% in Connecticut, many of Connecticut's neighboring states have even higher levels, with one quarter (23%) of New York households headed by foreign-born householders, New Jersey at 19%, and Massachusetts at 14%. As these families continue to transition to owned homes, their impact will increasingly be felt in local economies nationwide.

18. Homeownership by Income

Indicator Summary	
CT Value (ratio)	1.97
CT Rank	36/51
Value in #1 Ranked State	1.31 (NM)

This measure compares homeownership rates among those in the wealthiest quintile with the rates of those in the poorest quintile, essentially measuring how unequal homeownership rates are between rich and poor families.[50] Often, lower income families lack adequate wealth to invest in a home, or face economic instability resulting from periods of unemployment or health crisis. Yet for these families, building wealth through homeownership may represent their best chance to break into the middle class.

Connecticut's ratio of 1.97 ranks 36th among all states, well off the high-water mark set by New Mexico, where the ratio is just 1.31, but much less unequal than neighboring states New Jersey (45th, at 2.19), Massachusetts (49th, at 2.50), and New York (50th, at 2.86).

19. Homeownership by Gender

Indicator Summary	
CT Value (ratio)	1.16
CT Rank	31/51
Value in #1 Ranked State	1.05 (WY)

Women have lagged behind men in their capacity to build wealth through homeownership. This measure compares the ratio of homeownership rates in male-headed households to that in female-headed households.[51] Connecticut's ratio of 1.16 ranks 31st best among states. While top ranking Wyoming's 1.05 ratio is clearly preferable, what is perhaps most striking with these data is how they compare to the inequality data based on race and income, both of which dwarf Connecticut's measure for inequality based on gender.

[49] Their impact on rental markets has been even more significant.

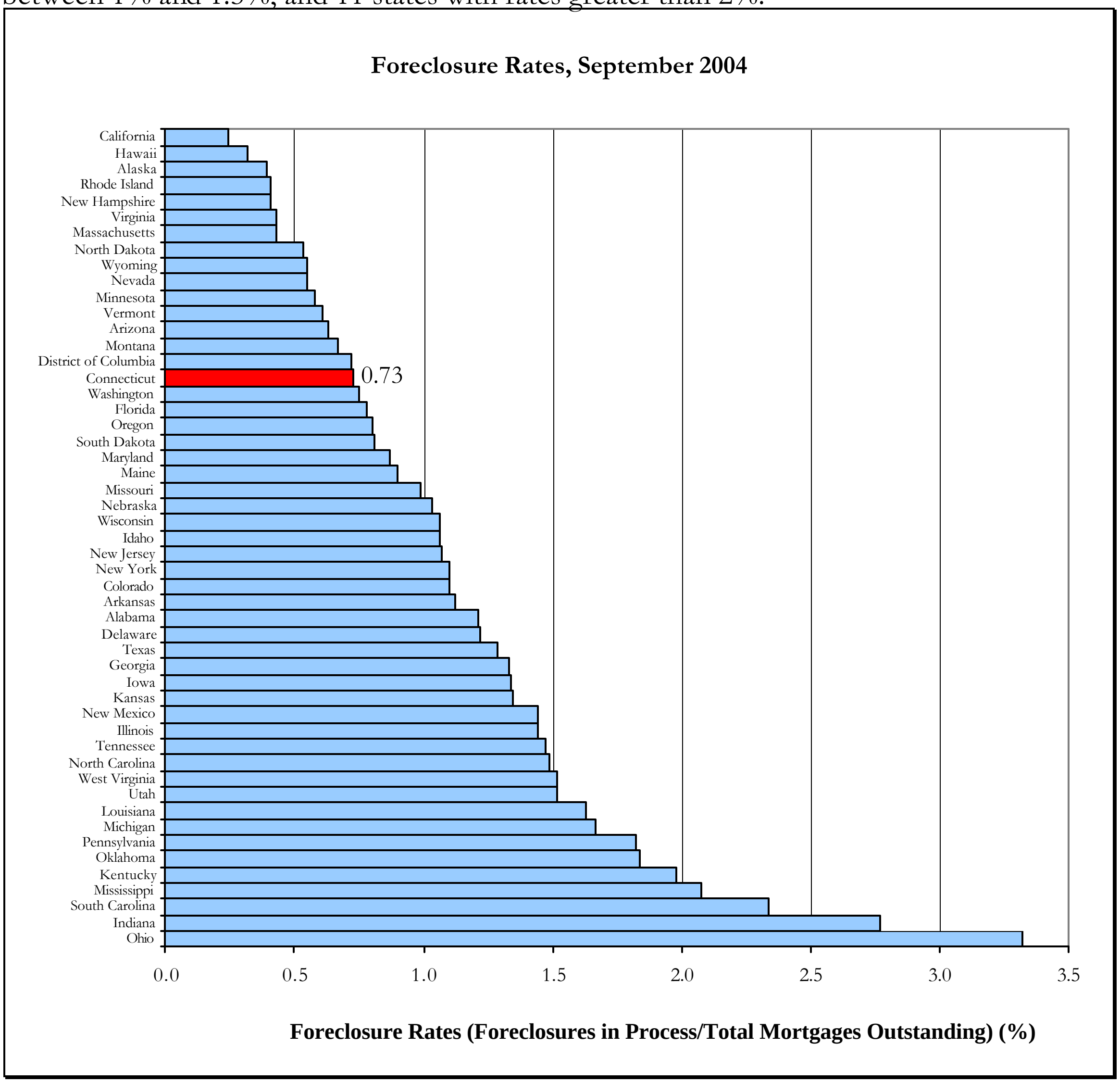
[50] This measure combines data for three years, 2000-2002.

[51] This measure combines data for three years, 2000-2002. This indicator attributes 'ownership' of the home to males, when married couples share ownership of all family assets. This indicator still shows significant differences based on gender of the 'householder,' but this caveat is an important one.

20. Foreclosure Rates

Indicator Summary	
CT Value (%)	0.73%
CT Rank	16/51
Value in #1 Ranked State	.24 (CA)

This measure looks at the percent of mortgages in foreclosure, comparing the number of mortgages in the process of foreclosure to the total number of outstanding mortgages. While homeownership *can* be an important tool for family asset accumulation, the process of foreclosure strips away assets from families who are least able to withstand such a blow to family wealth. Connecticut's foreclosure rate is quite favorable, with fewer than 1% of mortgages facing foreclosure. At 0.73%, Connecticut ranks 16th, behind neighbors Rhode Island and New Hampshire (tied for 4th), Massachusetts (6th), and Vermont (12th) but ahead of New Jersey (27th) and New York (28th). This measure also exhibits variation among states, with 22 states (and the District of Columbia) with rates below 1%, 17 states with rates between 1% and 1.5%, and 11 states with rates greater than 2%.



F. Homeownership Policies

Bond Sales for Affordable Housing		Housing Trust Fund	Property Tax Relief		
%	+/-	+/-	Elderly/Disabled Only	All	+/-
0.941[52]	+	-	0	+	+

Assistance to 1st Time Homeowners						
Direct Lending	Homeown-ership Counselling	Direct Grants for Downpayments	Funds for 2nd Mortgages	Lease Purchase Arrangements	Funds for Construction Assistance	+/-
0	0	0	0	0	0	0

Overall, Connecticut's policies in support of homeownership earn the state a 'favorable' grade, largely on the strength of policies providing property tax relief. Currently, there are two primary forms of property tax relief for Connecticut households.

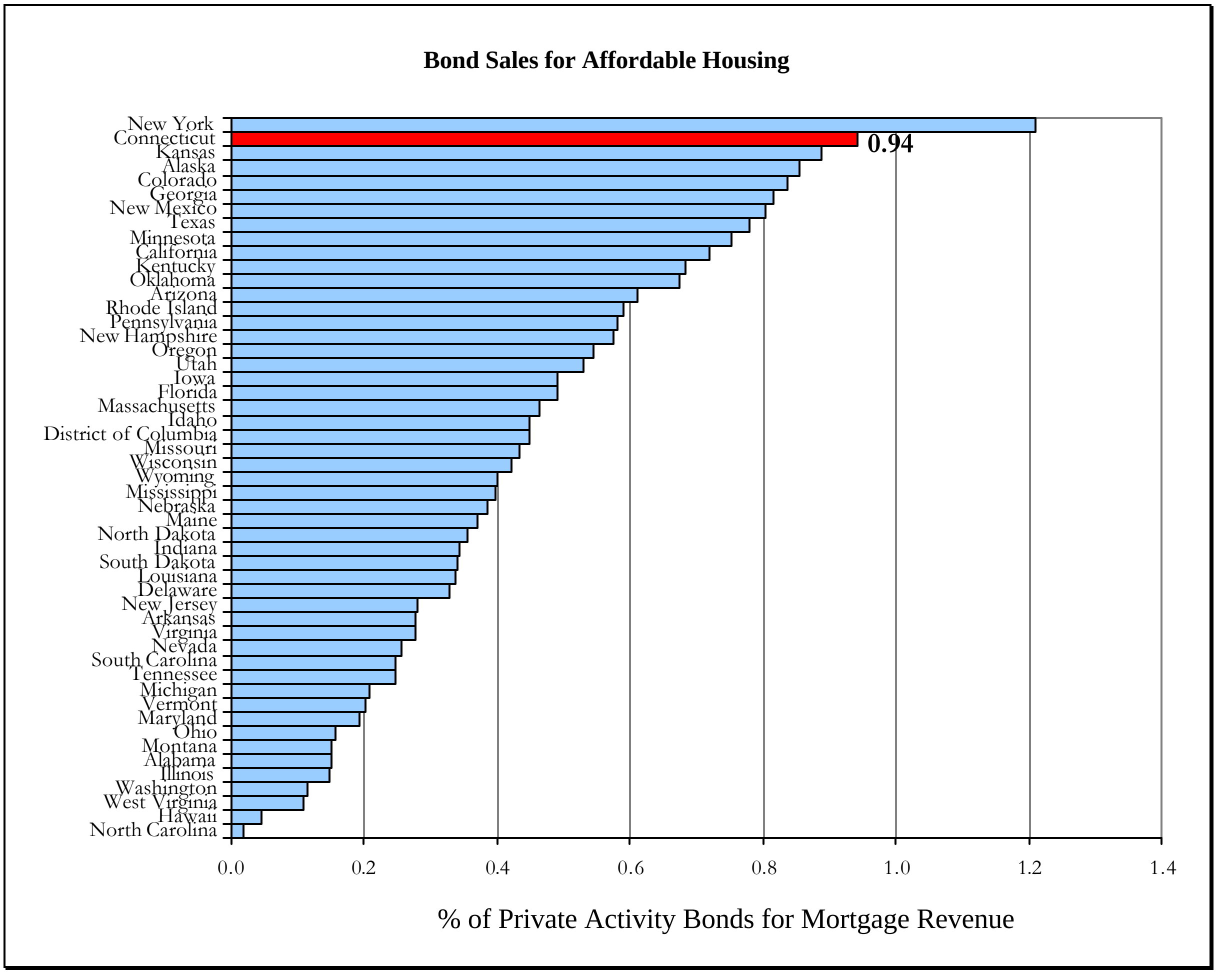
The first is a property tax credit that allows property owners (of both motorized vehicles and homes) to claim a portion of their taxes as a credit against their income tax. Importantly, not all property owners benefit from the property tax credit, since it phases out at higher income levels. Low-income property owners *can* claim the property tax credit, but only if they have income tax liability (i.e., it is not a refundable credit).

The second is a property tax circuit breaker program that provides phased tax relief, based on income, primarily to property owners who are seniors. Low-income property owners *cannot* make use of the property tax circuit-breaker. Extending this credit to *all* low income property owners would facilitate homeownership affordability.

Lower income families would also benefit from introduction of a low-income renter's tax credit against the income tax to prevent the erosion of family assets through the hidden property taxes paid as part of monthly rents.

Connecticut policies for using bond sales for affordable housing also contribute to Connecticut's overall 'favorable' grade. In fact, Connecticut's 0.9% allocation of private activity bonds for mortgage revenue bonds ranks second highest in the nation, behind only New York's 1.2%.

[52] This number designates the percentage of Connecticut's private activity bonds that are dedicated to the support of affordable housing.



G. Health Outcome Measures

Rank (CT)	8/51
#1 Ranked State	WI
Grade (CT)	A
Policy Direction (CT)	+

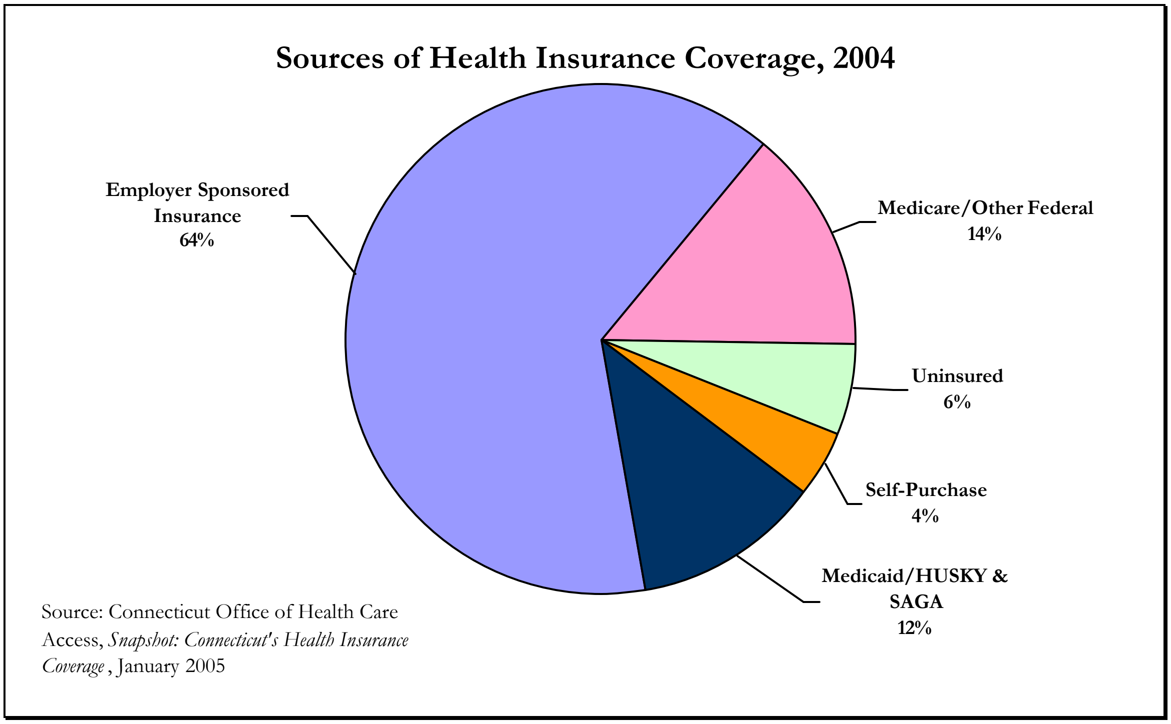
21. Employer-Provided Health Insurance

Indicator Summary	
CT Value (%)	72.1%
CT Rank	4/51
Value in #1 Ranked State	77.1% (NH)

Because the majority of people with health insurance in the United States receive that coverage through their employers, this is a good measure of the extent to which a household's assets are protected through health insurance. With 72% of Connecticut's non-elderly population covered by employer-provided health insurance, the state ranks 4th best overall, behind top ranking New Hampshire, Minnesota, and Maryland.

Other data sources paint a generally comparable picture for Connecticut. The Kaiser Family Foundation's statehealthfacts.org shows that for 2002-2003, Connecticut ranked third best, with 71% coverage, behind only New Hampshire (76%), and Minnesota (73%), but well ahead of the national average rate of 61%.[53]

However, state level household survey data suggest the proportion of Connecticut residents covered by employer sponsored insurance (ESI) may be lower. As seen in the pie chart below, the 2004 Household Survey revealed ESI rates of just 64% for Connecticut.[54]



22. Uninsured Low-Income Children

Indicator Summary	
CT Value (%)	16%
CT Rank	25/51
Value in #1 Ranked State	6.8% (VT)

States can extend health insurance coverage to otherwise uninsured children through either state children's health insurance programs or through Medicaid.[55] Through Connecticut's HUSKY programs (HUSKY A and B), Connecticut's low income children have access to publicly-funded health insurance. As seen in the map below, children in every Connecticut town benefit from the HUSKY program.[56] Despite relatively

[53] Kaiser Family Foundation, www.statehealthfacts.org, Distribution of Non-Elderly 0-64 by Insurance Status, state data 2002-2003, U. S., 2003.

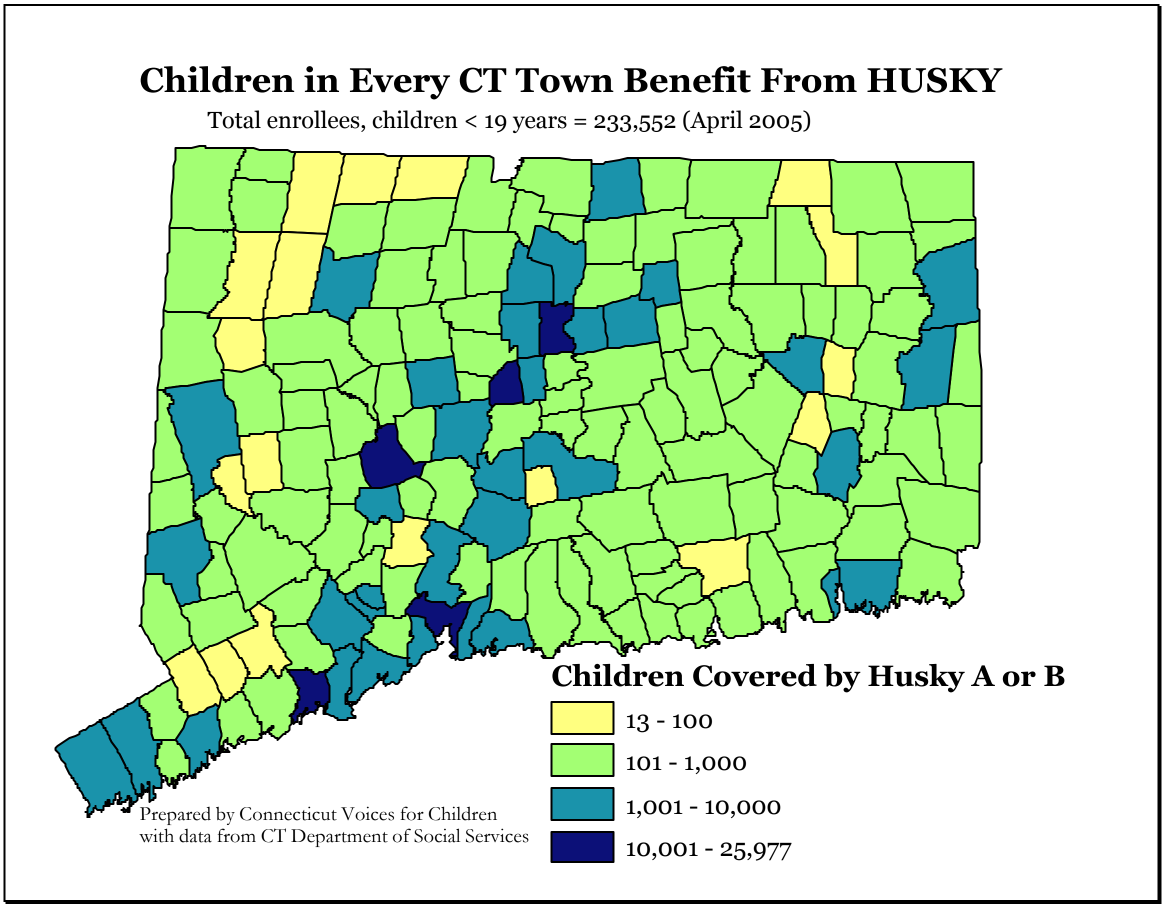
[54] Connecticut Office of Health Care Access, *Snapshot: Connecticut's Health Insurance Coverage*: Results of the *Office of Health Care Access 2004 Household Survey* (OHCA, January 2005), 4.

[55] In some cases, children can be covered both by private insurance and also by Medicaid.

[56] There are no reliable data available to determine the proportion of children who are uninsured in each town.

generous eligibility limits for these programs, Connecticut ranks only 25th best among the states in the percentage of its children who are uninsured, with 16% of low-income children uninsured.

Top ranking Vermont (6.8%) and four other states – Wisconsin (8.7%), Massachusetts (8.7%), Rhode Island (9.2%), and Missouri (9.5%) – all boast single digit un-insurance levels for low income children.



23. Uninsured Low Income Parents

Indicator Summary	
CT Value (%)	52.5%
CT Rank	11/51
Value in #1 Ranked State	0% (AZ)

While most states provide health insurance for low income children, the situation is much different for low income adults. In all but a handful of states, at least half the low income adults are without health insurance. Connecticut manages an 11th best ranking overall, despite the fact that over half (52.5%) its low income adults lack insurance. For such individuals, even when insurance is made available, it is generally prohibitively expensive. For these families, their assets are placed in jeopardy – any unexpected or prolonged illness or accident would quickly erode any accumulated family wealth. Given this reality, it is alarming that over 90% of low income adults lack health insurance in seven states.

H. Health Policies

Income Limits for Coverage[57]		Coverage for Poor Adults		Welfare-to-Work Coverage		Assistance for Hard-to-Insure
% of federal poverty level	+/-	%	+/-	# months	+/-	+/-
107[58]	+	0	0	24	+	0

Connecticut earns a 'favorable' rank for health care policy in the CFED scorecard, resulting from relatively long health insurance coverage for individuals transitioning from 'welfare to work', and relatively generous income limits for eligibility of parents for publicly provided health insurance. In Connecticut, coverage for such adults is through the HUSKY program. Currently, HUSKY A covers parents and relative caregivers in families with income under 100% of federal poverty ($18,851 for a family of 3).[59]

I. Education Outcome Measures

Rank (CT)	10/51
#1 Ranked State	VT
Grade (CT)	A
Policy Direction (CT)	+

24. Head Start Coverage

Indicator Summary	
CT Value (%)	25.6%
CT Rank	24/51
Value in #1 Ranked State	47.7% (AK)

Despite having the "father of Head Start," Yale Professor Edward Zigler, in our midst in Connecticut, the state earns only mediocre grades on this indicator, scoring 24th out of all states and the District of Columbia. In Connecticut, 25.6% of the children between the ages of 0 and 5 who are living in poverty are served by a Head Start program. One factor that may be contributing to this low ranking, however, is that Connecticut has other alternatives (than Head Start) for high quality early care for low-income children of this age, including our school readiness programs and the state-funded child development centers. Children enrolled in these programs are not counted in this measure of Head Start coverage. Because lower income children start off behind their more wealthy colleagues, it is only with programs such as Head Start that we are able to level the playing field for these children. Failure to do so not only further handicaps those children, but it places enormous burdens on other public systems throughout those children's lives.

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57 This is the title given to this indicator by CFED. In fact, the data shown here are based on the average incomes of those covered, based on survey data, as reported to the United States Census Bureau.

58 Eligibility level for publicly provided health insurance by percentage of poverty for parents (family of three), June 2003. Families USA, *Working Without a Net: The health care safety net still leaves millions of low-income workers uninsured*, (April 2004). This percentage is based on Families USA analysis of US Census Bureau data, and *not* on state eligibility criteria.

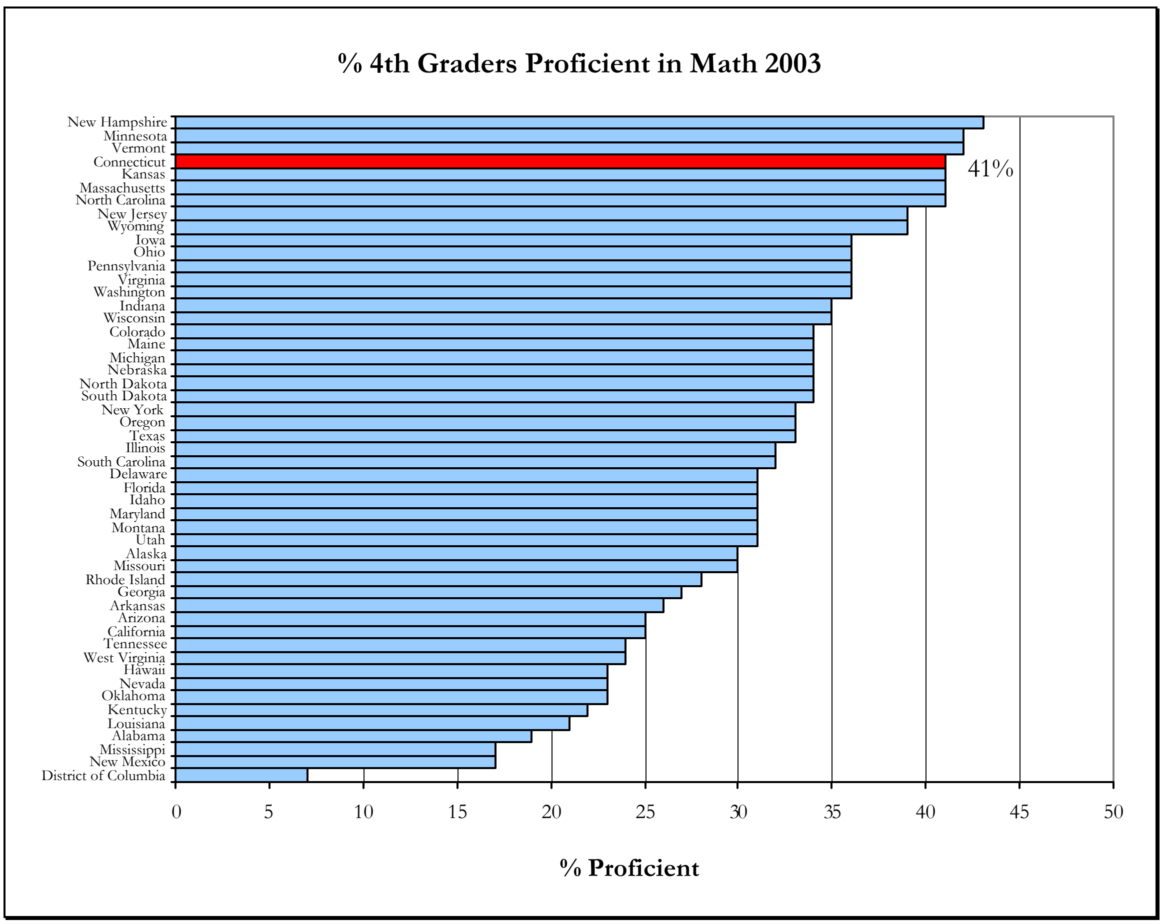
59 Lisa7 Sementilli and Mary Alice Lee, *HUSKY at a Glance* (Connecticut Voices for Children, 2004).

25. Math Proficiency

This measure shows the percentage of fourth-grade students proficient in math for 2003, based on the National Assessment of Educational Progress (NAEP) test. While many states may have their own systems of standardized tests, this is the only measure that is uniform across all states.

Indicator Summary	
CT Value (%)	41%
CT Rank	4/51
Value in #1 Ranked State	43% (NH)

Connecticut scores very strongly on this indicator, ranking 4th best, with 41% of students achieving 'proficient' status, only slightly behind top ranking New Hampshire (43%) and second ranking Vermont (42%), and tied with several states, including Massachusetts.



26. Reading Proficiency

Indicator Summary	
CT Value (%)	43%
CT Rank	1/50
Value in #1 Ranked State	43% (CT)

Connecticut earns top marks for reading proficiency, with 43% of 4th grade students testing at the proficient level on the 2003 NAEP test. With the exception of Rhode Island (which ranked 34th, with 29% of students proficient in reading), Connecticut's neighboring states performed well on this measure. Massachusetts and New Hampshire tied for the 2nd ranked position, New Jersey ranked 4th, Vermont 5th, and New York placed 12th. Most states demonstrated a fairly consistent performance in math and reading, with 41 states varying in their ranks by less than 10 positions. Montana was at the other extreme, with a ranking in reading that was 22 places greater than its math ranking.

27. Two Years of College

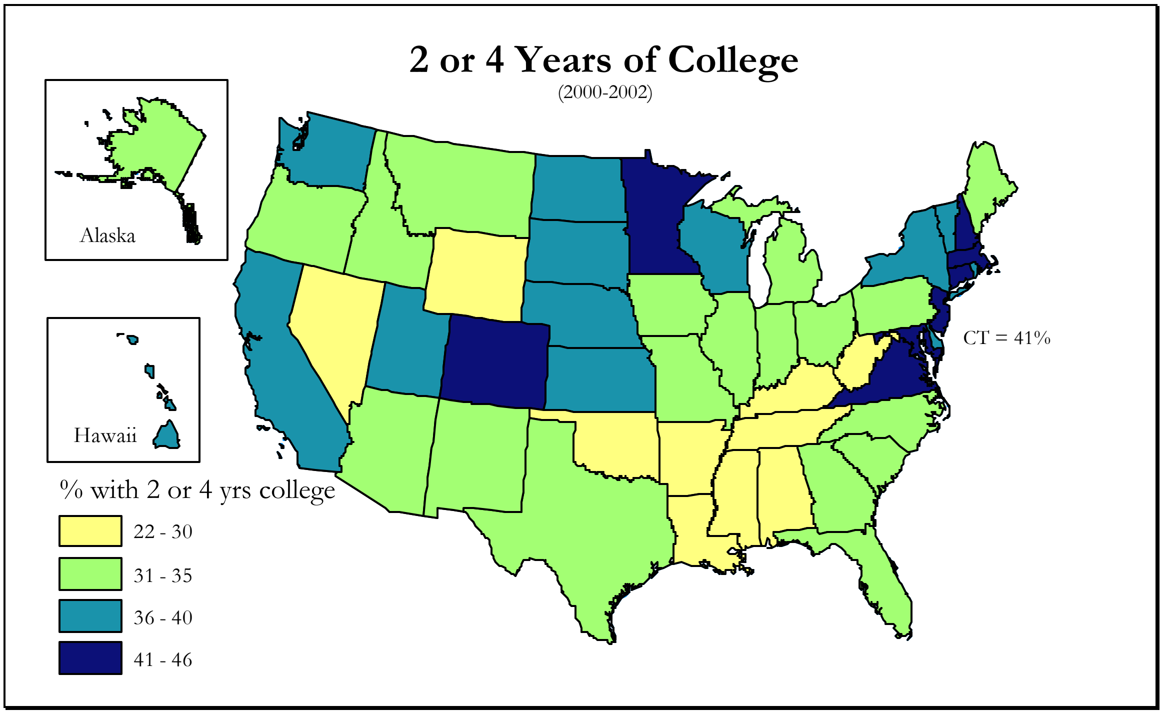
Indicator Summary	
CT Value (%)	7.60%
CT Rank	33/51
Value in #1 Ranked State	13.42% (ND)

Connecticut ranks 33rd out of 50 states and the District of Columbia on this measure, with 7.6% of the population over age 25 population holding a 2 year college degree. While this ranks a long way behind top ranking North Dakota, where 13.4% have a two-year degree, Connecticut's rank on this measure must be assessed in a context that includes the state's performance on the *four*-year college indicator. While a two year college degree is good, a four year degree is better. By creating an indicator that shows the percentage of the population with *either* two years or four years of college, Connecticut ranks 7th best. In fact, 5 of the 'top ten' performers on the combined measure have weak scores on the two year college measure.[60]

2 or 4 years of College

Indicator Summary	
CT Value (%)	41%
CT Rank	7/51
Value in #1 Ranked State	46% (MD)

[60] Colorado, Connecticut, Maryland, Massachusetts, and Virgina.



28. Four Years of College

Indicator Summary	
CT Value (%)	33.42%
CT Rank	8/50
Value in #1 Ranked State	40.81% (MD)

With one third (33.4%) of residents over age 25 having four or more years of college education, Connecticut ranks 8th highest among the states. Maryland leads all states, with 41% of adults over age 25 having four years of college, while neighboring Massachusetts ranks 5th, and New Jersey ranks 4th.

29. Degrees by Race

Indicator Summary	
CT Value (ratio)	1.554
CT Rank	23/49
Value in #1 Ranked State	.865 (NH)

Given the importance of a college education for putting families on the path to asset self sufficiency, disparities in educational attainment grounded in race perpetuate economic inequality. This measure compares the four-year college attainment levels of families headed by white and non-white individuals.[61] Connecticut's ratio on this measure, 1.55, places the state in the middle of the pack among other states with a ranking of 23, very similar to neighboring states Massachusetts (22nd), Rhode Island (25th), and New York (28th). New Hampshire's ratio of 0.865 led all states.

[61] This measure combines data for three years, 2000-2002.

30. Degrees by Income

Indicator Summary	
CT Value (ratio)	5.21
CT Rank	25/51
Value in #1 Ranked State	3.61 (CO)

In perhaps a classic case of the 'chicken and egg', while those with higher levels of education earn more money, those with more money are more likely to attain college educations. Connecticut again falls in the midrange on this indicator, ranking 25th, with a ratio of 5.2, meaning those with incomes in the top quintile are 5.2 times more likely to have 4 years of college education than are those in the bottom quintile. In top ranking Colorado, this number is lower – just 3.6 times.

While a comparison of low and high income college educational attainment rates is useful, it is also meaningful to examine the data for low income families only. In Connecticut, 12.3% of bottom quintile families were on the path to economic success afforded by a college education. This proportion ranks Connecticut 8th best, behind top ranking Colorado, and three New England states – Vermont (4th), New Hampshire (5th), and Massachusetts (7th).[62] Given what we know about the ability of education to lift families out of poverty, one would surmise that it is in these states that one is best able to use education as a vehicle to move up the ladder of family asset development.

Though a two-year college degree is far from a guarantee of economic success in this knowledge based economy, it can probably be considered the 'bare minimum'. Certainly those lacking any college education face a challenging path that rarely leads to family income or asset security. It is well documented that income and education are closely linked. Data from four surveys taken between 1992 and 2001 confirm that "Income…rises with education, and incomes for family heads that have a college degree are substantially higher than for those with any lesser amount of schooling."[63] This can be clearly seen in the figure below.

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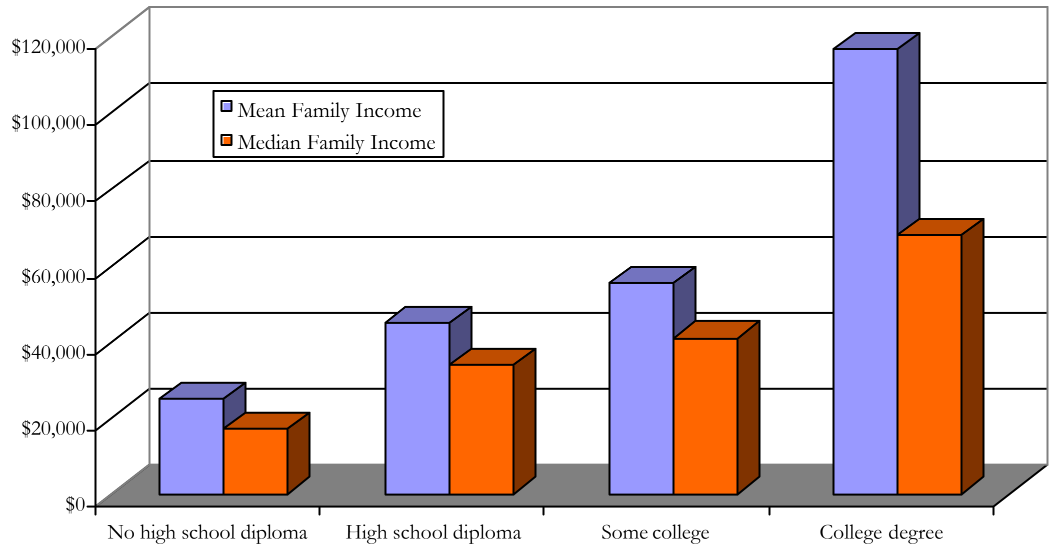
[62] Rounding out the top eight spots are the District of Colombia (2nd), Maryland (3rd), and Virginia (6th).

[63] Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finan ces" *Federal Reserve Bulletin*, vol. 89 (January 2003), 3.

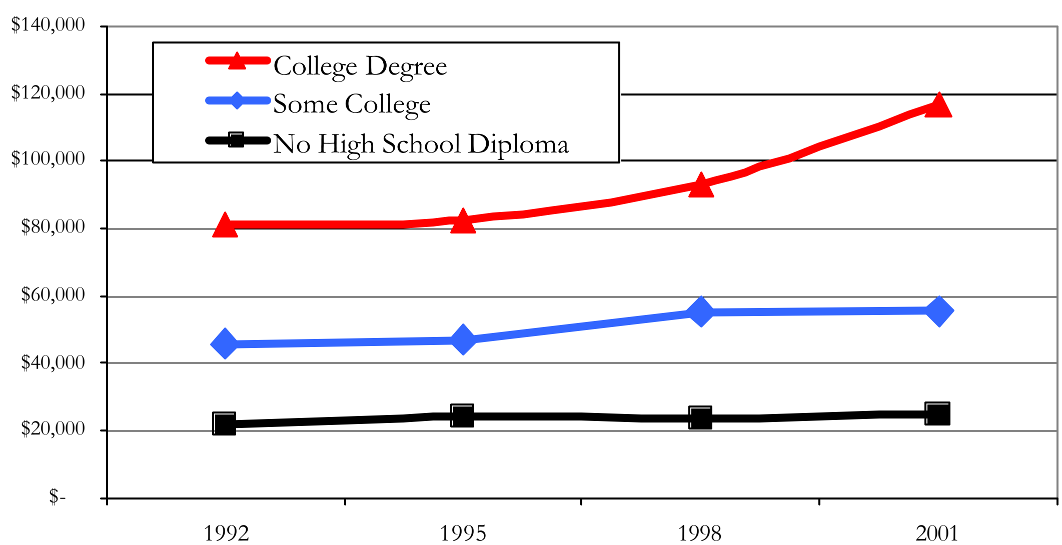
Education and Income, 2001



Source: Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances" Federal Reserve Bulletin, vol. 89 (January 2003).

Moreover, as seen in the figure below, the income trajectory for families headed by college graduates has been clearly very positive over the course of the decade from 1992 to 2001, in contrast to the stagnant trajectories of those with no high school diploma.

Education Pays in America: Education and Income, 1992-2001 (2001$)



Source: Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances" Federal Reserve Bulletin, vol. 89 (January 2003). Values shown are mean values.

Higher education not only helps foster positive economic growth for families, it also can protect against exploitation that can erode fiscal well-being. Results from the 2001 Survey of Consumer Finances show that families with negative net worth are less well educated than the general population, with 26.3% of families with less than zero net worth having a college degree, compared with 34.0% of all families.[64]

31. Degrees by Gender

Indicator Summary	
CT Value (ratio)	1.232
CT Rank	20/51
Value in #1 Ranked State	.885 (ND)

Because this measure is based on the gender of 'heads of households', Connecticut's "degrees by gender" rank of 20th, and ratio of 1.23, understates the educational attainment of women in Connecticut. By comparison, 2003 American Community Survey data show that 40% of women over 25 in Connecticut have a college degree, compared with a national rate of 33%. Only the District of Columbia (45%), Massachusetts (42%), Vermont (42%), and Colorado (40%) have higher rates of women with degrees.[65] Notwithstanding those facts, the CFED measure looks not at all women, but at the women who identify themselves as "Head of Household." Because families headed by women may rely only on the mother's income, they would particularly benefit if the mothers can increase their earning capacity and fulfill their educational potential through attainment of a college education.

J. Education Policies

State-funded Head Start	State-Funded Preschool	Per Pupil Spending		School Spending Equity		College Financial Aid		Workforce Training		College Savings Match
+/-	+/-	$	+/-	Ratio	+/-	$	+/-	%	+/-	+/-
+	0	9738	+	94.4	+	148	0	57.1	0	0

Connecticut's education policies reflect a widespread commitment to excellence in education. While there remains room for improvement, no single area ranked by CFED merits a substandard rating.

K. Tax Policy and Accountability

Despite earning an overall "Favorable" policy ranking, shortcomings in Connecticut's tax expenditure reporting and capacity to do tax incidence analysis highlight the need for improvements. Connecticut has a tax expenditure report, as do most states, but it falls short of what it could be.[66]

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64 Arthur B. Kennickell, *A Rolling Tide: Changes in the Distribution of Wealth in the US, 1989-2001.* (Federal Reserve Board, 2003), 28.

65 These data are rounded. Colorado's 40.4% is slightly higher than Connecticut's 40.2%. US Census Bureau, American Community Survey, 2003. Table PCT034, Sex by Educational Attainment for the Population 25 Years and Over.

66 A recent Connecticut Voices for Children fact sheet addresses the importance of public disclosure of corporate tax credits, and prescribes a range of policy remedies to address existing shortcomings. See Ellen Scalettar and Shelley Geballe, *Increasing Public Disclosure of Corporate Tax Credits: Why it is Important and How it Can be Done*, (Connecticut Voices for Children, April 2005). http://www.ctkidslink.org/pub_detail_161.html. An earlier report much more extensively evaluates tax expenditures in Connecticut, including ways to strengthen

Tax Expenditure Report		
Report	On Web	+/-
0	+	+

Connecticut may well meet CFED's 'standard' for state level tax incidence analysis, but that does *not* indicate that Connecticut's tax incidence analysis is adequate. Rather, it is a sad comment on the current status of other states' capacities to perform tax incidence studies. Currently, policy makers and advocates alike routinely turn to the fine work of the Institute for Taxation and Economic Policy for information on tax incidence.[67]

Tax Incidence Study				
Multitax Incidence	Mutlitax Impact	Represent-ative Taxpayer	Personal Income Micro-simulation	+/-
0	0	0	x[68]	0

IV. Conclusion

For many families, Connecticut has proven to be a state in which they could build considerable wealth. However, as this report has shown, Connecticut's "ladders" to asset growth and fiscal stability are not equally available to all Connecticut families though its families and communities would be strengthened if *all* families could move along the path to economic security.

This will require the adoption and funding of a set of policies and programs specifically designed to help families build and protect family assets. Such policies might include a state level earned income tax credit, a housing trust fund, greater access to health insurance and quality affordable health care, superb educational programs from birth through higher education, and greater financial assistance for small business development for those residents with a great new idea. However, until such policies and programs are pursued in earnest, Connecticut will continue to be not only a state of great wealth, but also a state of great need.

Connecticut's tax expenditure report. See Shelley Geballe, Douglas Hall, and Ellen Scaletttar, *An Overlooked Form of Spending: Tax Expenditures and the Need for Review,* (Connecticut Voices for Children, 2001).

67 The Institute for Taxation and Economic Policy published an update of their seminal "Who Pays?" publication in 2003. Robert S. McIntyre, et al., *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States"* (ITEP, 2003).

68 This 'x' indicates which of these four types of tax incidence analysis (multi-tax incidence, multi-tax impact, representative taxpayer, and personal income micro-simulation) the state undertakes.