Opportunities for Growth:

Business Tax Advantages, Economic Strengths, and Quality of Life Perceptions in Connecticut

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April 3, 2017: Critical Choices for Connecticut

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Executive Summary

1. Introduction

- Like most states, Connecticut experienced a significant contraction of total production of goods and services (adjusted for inflation) and a sharp increase in unemployment during the **Great Recession of 2007 – 2009**.
- Like many states, the state economy continued to worsen once the national recovery set in.
- Since 2009, **perceptions** of the state economy by business leaders and advocates, elected officials, and the public have been **overwhelmingly negative.**
- Negative expectations alone can damage an economy by leading individuals and organizations to disinvest.
- **However,** evidence of Connecticut's economic strengths and advantages have been documented elsewhere by academic studies, think tanks, and the press.
- This report analyzes and evaluates the state's **business tax advantages and economic strengths**, and weighs those outcomes against the public's perspectives on quality of life issues in the state.
- The results of this study indicate that Connecticut's **economic competitiveness and quality of life are strong,** and reflective of **long-term public investments**.
- Connecticut has **economic advantages that few states in the country have**, and significant opportunities for investment and future growth.

2. Regional Business Taxation

- Connecticut not only has the **lowest Total Effective Business Tax Rate (TEBTR)** in the region, including New York and New Jersey, but also **in the United States.**
- Connecticut has the **lowest business taxes per private sector worker** in the region, and the **lowest business taxes as a share of state and local taxes** in the United States.
- In total, **businesses in Connecticut are only taxed $0.80 for every $1 of government services received,** when assuming that only half of the education spending in the state directly benefits the private sector.
- Connecticut provides one of the **lowest tax burden to businesses in the country,** following the Tax-Benefit ratio.

3. The Connecticut Economy in Context: Strengths and Advantages

- Connecticut has the **fourth highest median household income** (adjusted for inflation) in the United States.
- **Median household income increased** 9.9% between 2012 and 2015, **a rate that exceeds the US as a whole**, all other states in New England, as well as neighboring states New York and New Jersey.
- Connecticut has the **third lowest estimated statewide poverty rate** in the United States.
- Estimated statewide poverty rates for children in Connecticut are also significantly lower than the US as a whole, and the vast majority of states.
- Connecticut has the **third highest rate of educational attainment at the Bachelor's degree level**. It also experienced the fourth strongest increase in this measure of educational attainment after the Great Recession.

- Connecticut has the **third highest rate of educational attainment at the advanced degree level.** It also experienced the second strongest increase in this measure after the Great Recession.

4. General Well-Being Indicators in Connecticut

- According to DataHaven study, a large majority of residents in Connecticut – **82% – are satisfied with the city or area in which they live.** An even larger proportion of residents in wealthy towns agree.
- There is an important link between the **free or low-cost recreational activities** that Connecticut provides, and the health conditions of people. A **healthy workforce leads to higher productivity levels** that businesses based in Connecticut reap benefits from.
- 70% of residents in Connecticut find it a **good place to raise children.** This is likely due to the good **educational opportunities** that the state provides that make them competitive in the job market, with skills required to find jobs in these changing times.
- 94% of survey participants from the state said they have **health insurance**. About 62% said they obtained insurance through a current or former employer or union, whereas 21% were under Medicare, and 14% were under Medicaid.
- 65% of the survey participants had a **paid job** in the last 30 days of the survey, and 5% said they would like to have a job. The survey participants included full-time students, the disabled, the elderly, and retirees.
- For people who did not have a paid job in the last 30 days, 48% of them were unemployed for less than a year.
- About 60% of the survey respondents said they **"live comfortably**" or are "doing alright."
- 87% of the survey participants said they have **enough money to buy food**. 75% of participants from urban core towns said the same.

5. Conclusion

- ***This report documents that Connecticut's quality of life and economic competitiveness are robust and unsurpassed in the United States.***
- The findings of this report demonstrate a need to **shift expectations** surrounding the health and advantages of the state's economy in a more **positive direction**.
- **Negative expectations can be dangerous** to economic health and performance, as they lead individuals and institutions to disinvest, which actually brings about economic decline.
- **Connecticut now faces a long-term dilemma between investing in the advantages that it already has, and pursuing further austerity.**
- **If businesses continue to receive the economic and tax benefits** cited in this report, but **without contributions comparable to other states** that are performing better than Connecticut, **the state's competitive advantages, quality of life, and strong economic fundamentals will not be sustainable in the long-run.**
- ***Disinvestment, not a higher tax burden, will only diminish the state's economic competitiveness and high quality of life over the next ten to fifteen years.***
- **Investment is therefore required to stimulate and sustain economic growth**.

1. Introduction

Like most states, Connecticut suffered significant economic damage from the Great Recession of 2007-2009. According to the US Bureau of Economic Analysis, Connecticut's real total gross domestic product – a measure of production of goods and services – decreased from $247.2 billion to $233.6 billion during that time. According to the US Bureau of Labor Statistics, Connecticut's unemployment rate jumped from 4.9% in December of 2007 (the official onset of the Great Recession) to 8.1% in June of 2009 (the official end date). Like many states, that damage continued well into the recovery. Real total gross domestic product decreased until 2014, reaching a low of $223.6 billion, until it finally increased to $225.5 billion in 2015. Likewise, the unemployment rate rose until October of 2010, reaching a peak of 9.2%, before it descended to 4.5% by January of 2017.

Throughout this period of recovery, public dialogue surrounding the health and performance of the Connecticut economy has been largely negative. Business leaders and advocates, as well as elected officials, allege that the state has irreversibly entered a period of long-term stagnation, declining quality of life, deteriorating economic competitiveness, and a shrinking population. **The so-called biggest culprits? A hostile business climate, a burdensome tax structure, and an uncoordinated, and undisciplined, state budget.** Public polling on the state economy reinforces these negative perceptions. According to a recent Quinnipiac University Poll (2016), 80% of surveyed voters in Connecticut said that the state's economy is "not so good" or "poor," 53% said the state's economy is getting worse, and 45% said they were worse off than they were the previous year. These perceptions alone can be very damaging for the economy regardless of the state's fundamentals. If an economy's participants institutions are convinced that it is already in decline, they respond by disinvesting, which actually does bring about decline.

These negative perceptions and talking points, however, are often anecdotal, limited, and very selective. In fact, **empirical evidence of Connecticut's economic strengths and advantages exist beyond this study**. For example:

- **Connecticut was ranked highly for prosperity, wages, labor productivity, and innovation** according to the "Competitiveness of States and Regions" project by the Harvard Business School's Institute for Strategy and Competitiveness (Porter, 2012). The study also classified the state positively in the group of states with high and rising prosperity as compared to the US, as well as high and rising labor force participation as compared to the US.
- In another case, the Mises Institute compared US states and member countries in the Organization of Economic Cooperation and Development (OECD) according to median incomes. When adjusting for regional differences in the cost of living, **Connecticut's median income exceeds every member state in the OECD except Luxembourg** (McMaken, 2015).
- More recently, an analysis in *The New York Times* calls into question the veracity of the common perception that Connecticut's population is shrinking. According to Bui (2016), Connecticut is one of the few states in the Northeast corridor that has seen a **net gain of young college graduates between 2000 and 2015.**

The purpose of this report is to therefore conduct a **comprehensive analysis and evaluation of the Connecticut economy's strengths and competitive advantages** since the Great Recession, and to weigh those strengths against public perspectives of well-being in the state.

Using publicly available data sources, private studies, and survey data, **this study focuses on three primary areas: business tax advantages, economic fundamentals and indicators, and public perceptions of quality of life**. Taken together, the findings of this study suggest that **Connecticut's quality of life and economic competitiveness are quite robust.** Connecticut not only holds significant advantages that few states have, which reflect decades of public investments, but also holds substantial opportunities for future investment and economic growth as a leader in advanced manufacturing, aerospace, bioscience, education, and finance. **However, further disinvestment and austerity will diminish these advantages,** and therefore opportunities for further growth.

This report is organized as follows. **Section 2 challenges the perception of an unfriendly business tax climate in Connecticut**. Connecticut has:

- the **lowest Total Effective Business Tax Rate (TEBTR) not only in New England, but in the United States;**
- the state also has the **lowest ratio of business taxes per private sector worker** in New England, as well as
- the **lowest ratio of business taxes to state and local taxes combined in the United States.**
- Moreover, under the conservative assumption that only half of the education spending in the state directly benefits the private sector, **businesses in Connecticut are only taxed $0.80 for every $1 of government services received**.

Section 3 expands upon these advantages by analyzing three categories of socio-economic indicators. The results of this section demonstrate that Connecticut has strong economic fundamentals that few states have: **high, and rising, median household incomes**; **low statewide poverty rates** across multiple estimates of poverty; as well as **high, and rising, educational attainment** at both the undergraduate and advanced degree levels.

Section 4 then investigates the public's perspectives on a number of critical quality of life issues. Using qualitative survey data, this report finds that a large majority of the state's residents are satisfied with the city or the area in which they live, in particular, as a place to raise children. 16,000 respondents also rate their quality of life as high in response to multiple questions on health security, employment, and financial stability. These results are not coincidental; they reflect decades of public investments that have supported and enhanced the quality of life in the state.

Section 5 concludes this study with some final thoughts on the **critical choices** that Connecticut faces in the long-run. Which path forward will the state choose? One path – the **austerity route** – will diminish the state's strong economic fundamentals and high quality of life; the other path – **the investment route** – regards those fundamentals as opportunities for growth that further enhance that quality of life.

2. Regional Business Taxation

This section of the report draws upon publicly available research and data sources to provide a general overview of business taxation in Connecticut relative to other states in the region. The results of this study suggest that, on the one hand, businesses get a favorable tax deal in Connecticut as compared to other states. On the other hand, the relatively lower business tax burdens in Connecticut force policymakers to seek critical revenues from other sources, a dilemma that many states – especially those that are growing faster than Connecticut – do not face, or have not faced during the recovery from the Great Recession. The analysis in the following pages shows that, in terms of business taxation:

1) ***Connecticut not only has the lowest Total Effective Business Tax Rate (TEBTR) in the region, including New York and New Jersey, but also in the United States.***

2) ***Connecticut has the lowest business taxes per private sector worker in the region, and the lowest business taxes as a share of state and local taxes in the United States.***

3) ***In total, businesses in Connecticut are only taxed $0.80 for every $1 of government services received, when assuming that only half of the education spending in the state directly benefits the private sector.***

4) ***Connecticut provides one of the lowest tax burden to businesses in the country, following the Tax-Benefit ratio.***

2.1 Background

Connecticut's median income surpasses all other states in New England, as well as the median income of most states in the country. Nevertheless, Connecticut is still recovering from the aftermath of the Great Recession. Furthermore, according to some economic indicators, Connecticut is behind many of its neighbors, and in some cases, the United States.

Although Connecticut ranks high in terms of income relative to other states, as De Avila (2017) explains, the state confronts an aging workforce, and the old strongholds of finance and insurance are not as strong as they used to be. Years of state budget cuts have also exacerbated economic conditions.

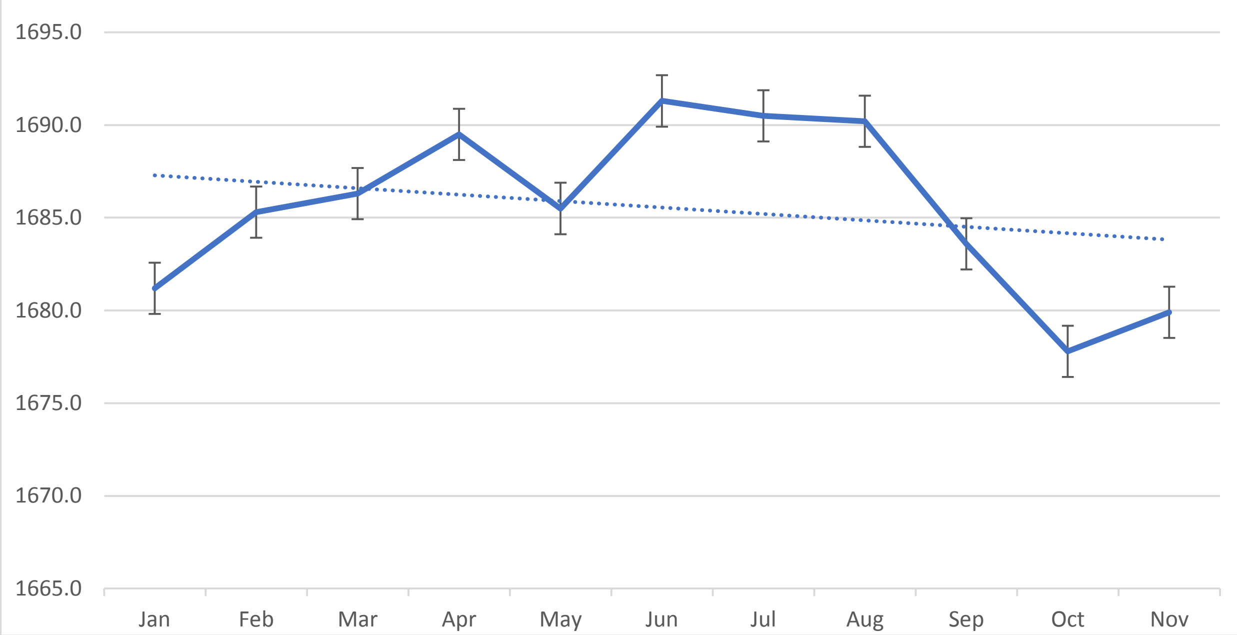
While New York is breaking records in terms of employment, and New Jersey is having the best year in terms of private sector job gains, as De Avila (2017) explains, Connecticut's jobs prospects remain flat. The nation crossed pre-recession levels of employment in 2014, but returning to pre-recession employment levels has been a struggle for Connecticut. At current rates, Connecticut will not achieve pre-recession employment levels until 2019. For example, while Massachusetts and New York already recovered 77% and 69% of the jobs lost during the crisis in the financial-insurance sector, respectively, Connecticut has only regained 20% of the approximately 18,000 positions lost during the crisis.

Following the New England Economic Indicators from the Federal Reserve Bank of Boston, while the economic activity in the region in the second quarter of 2016 improved over the previous years, the rate of improvement itself was much slower than previous quarters.

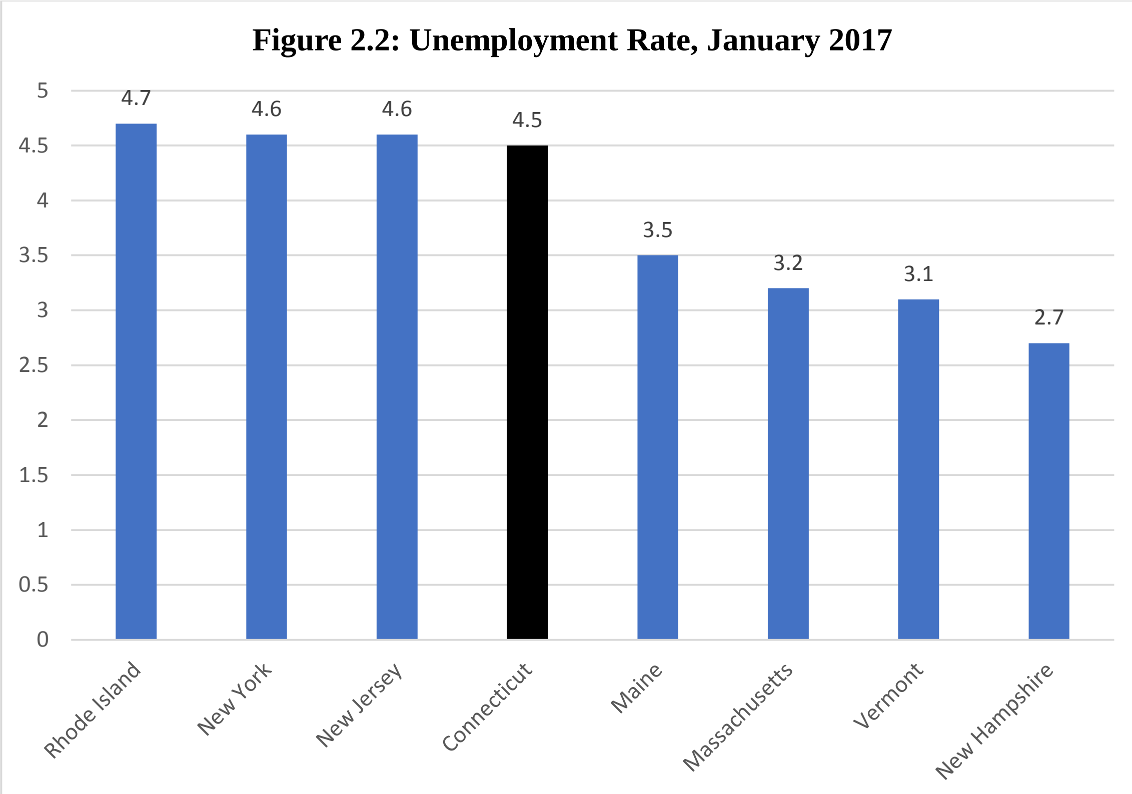
Furthermore, Moody's Analytics reports that Connecticut's recovery has been one of the slowest in the country, with the state currently ranked 42nd in terms of employment growth. While a highly skilled and educated labor force and wide range of universities and hospitals are strengths that support the state of Connecticut, Moody's also points to Connecticut's population and labor force dynamics (weak population growth, and aging labor force), high energy costs, and low housing affordability as major economic impediments.

Although the most recent data from the US Bureau of Labor Statistics (BLS) show a rebound in the number of jobs, Figure 2.1 clearly shows a declining trend for 2016. Not only is Connecticut haunted by a flat-to-negative job trend but also, as Figure 2.2 shows, by the second highest unemployment rate in New England.

Figure 2.1: Number of Jobs (thousands), Seasonally Adjusted 2016



Source: BLS



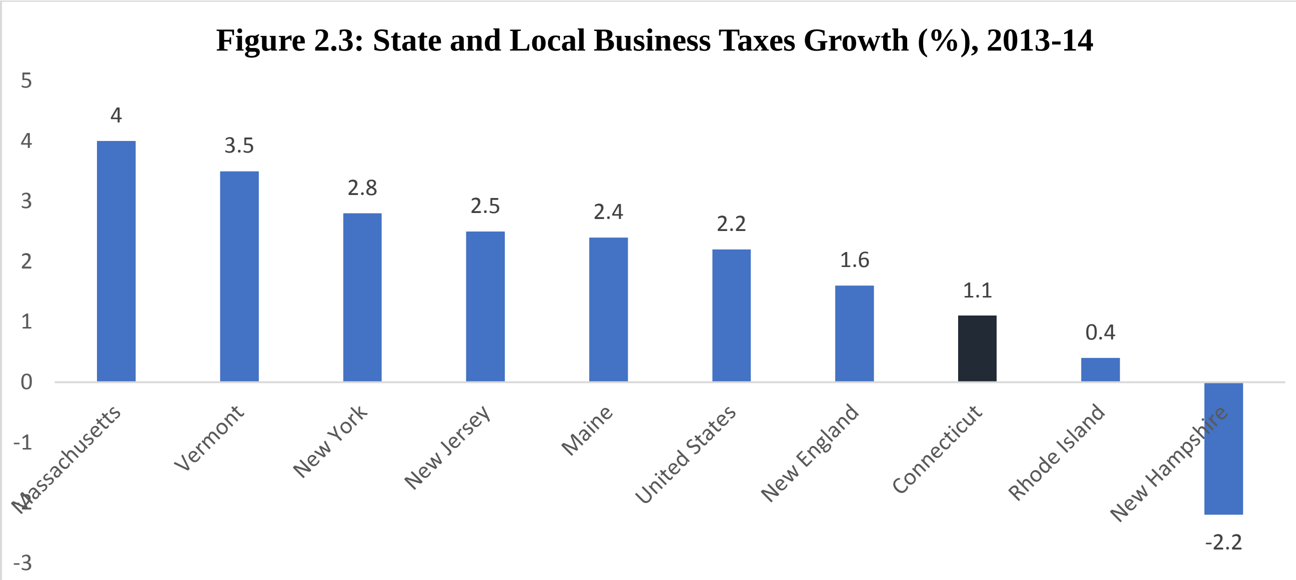
Source: BLS

2.2 Business Taxation: An Overview

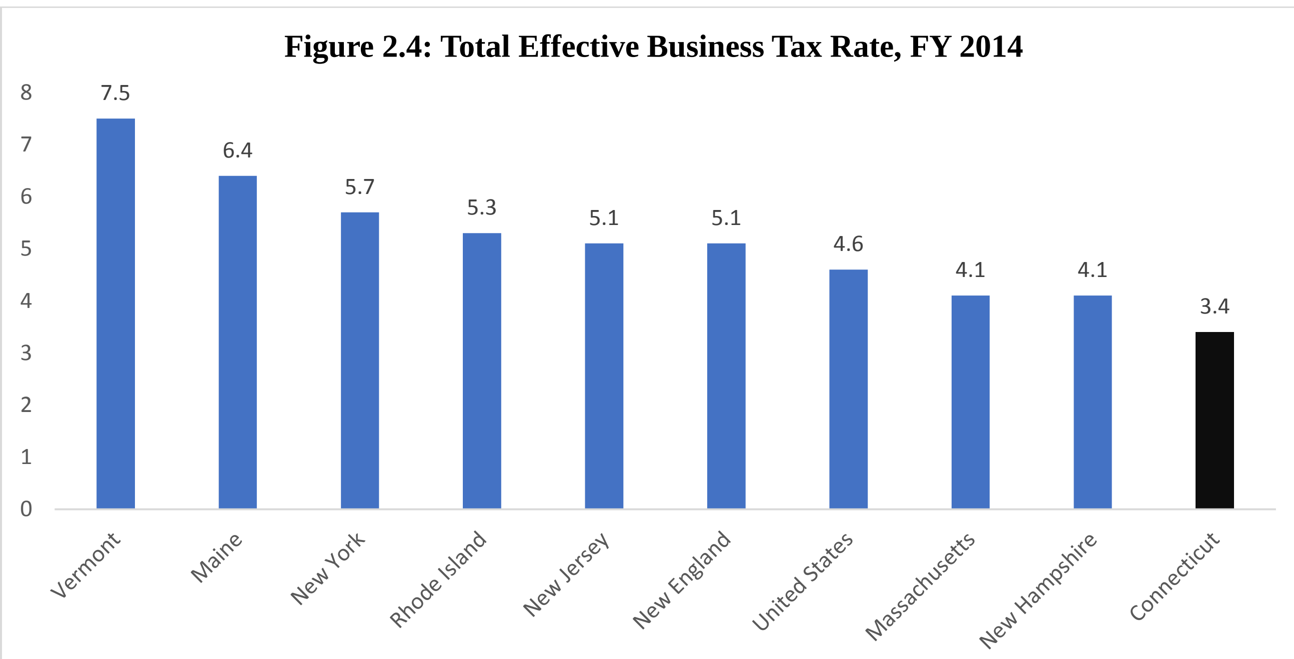
The same pattern emerges in terms of business taxation. According to Ernst and Young (2015), Connecticut's business tax growth in 2014 was 1.1%. As Figure 2.3 shows, this rate is below the average growth rates for the United States, the New England region, as well as New York and New Jersey.

States collect business taxes from different sources, and given the wide range of sources, it is often recommended to follow a broader measure of economic activity to make intra-state comparisons reliable. One such measure is the Total Effective Business Tax Rate (TEBTR), which is levied on businesses by local and state governments – a measure that captures the taxation burden on existing businesses. The TEBTR is the ratio of state and local business taxes to private sector Gross State Product (GSP). In other words, this measure captures business taxes as a percentage of GSP. GSP is the total value of state's production of goods and services by the private sector annually.

Following Ernst and Young (2015), the average TEBTR among all states of the nation is 4.6%. As Figure 2.4 shows, Connecticut had the lowest TEBTR in New England, which was also lower than New York and New Jersey. Furthermore, following Ernst and Young (2015), Connecticut (and Oregon) also had the lowest TEBTR in the country. In other words, states with higher TEBTR in the region, including New York and New Jersey, seem to be performing at a faster pace than Connecticut.



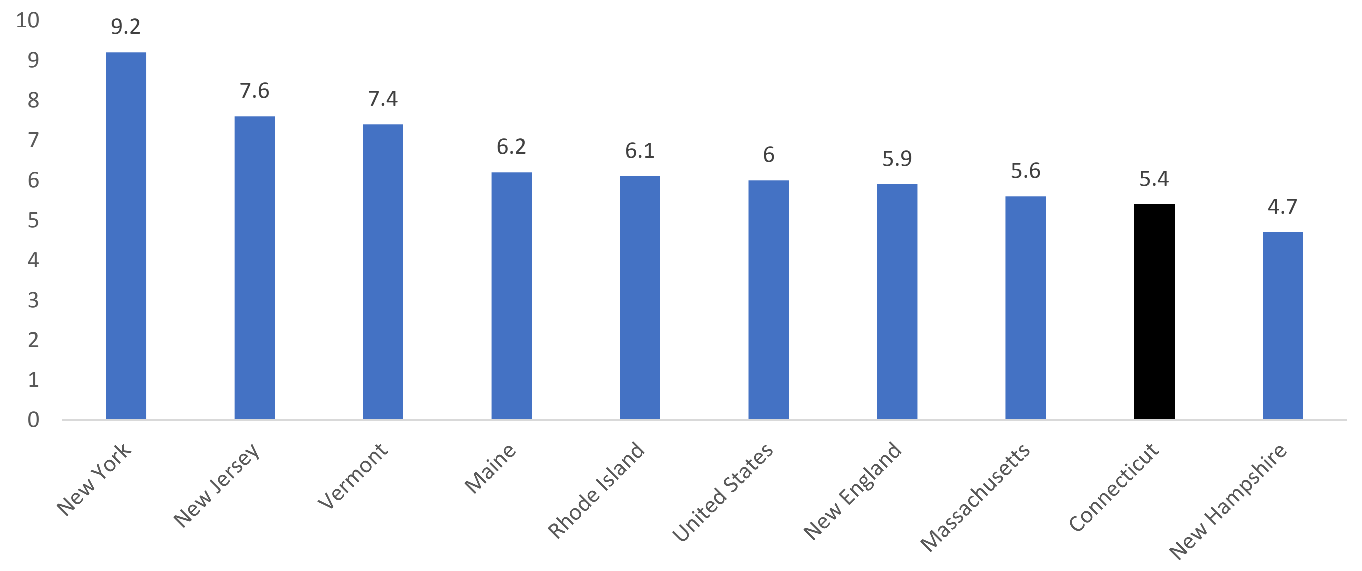
Source: Ernst and Young (2015)



Source: Ernst and Young (2015)

An alternative to the TEBTR is to measure taxes per worker in the private sector. From this perspective, as Figure 2.5 shows, Connecticut again had one of the lowest business taxes per private sector worker in the New England region, and a significantly lower figure than New York and New Jersey.

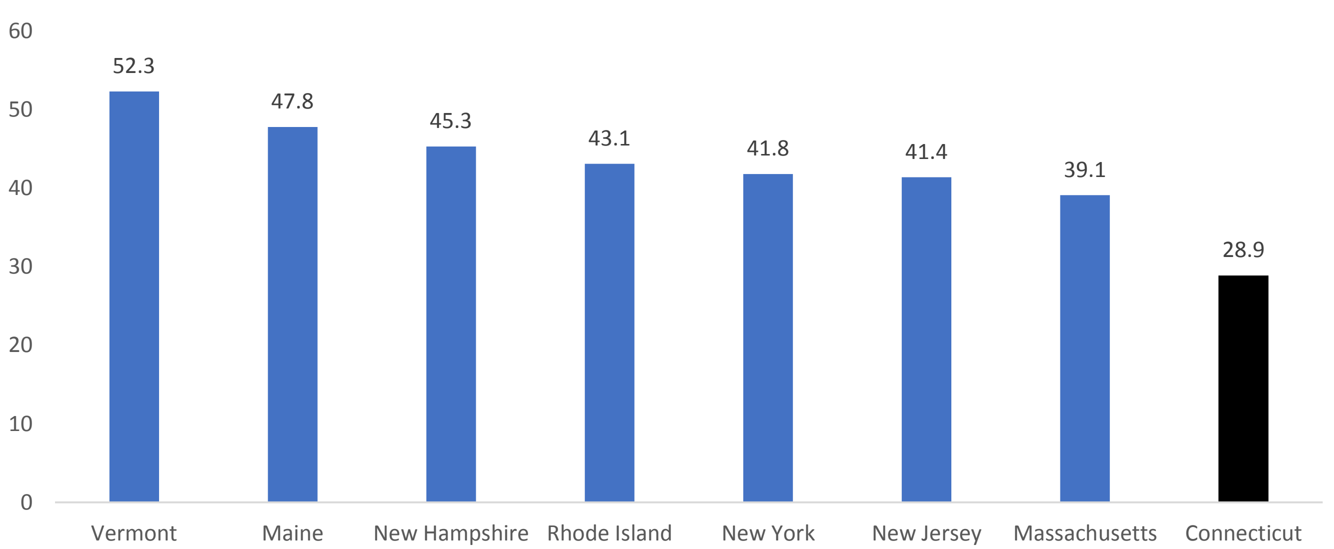
Figure 2.5: Business Taxes per Private Sector Workers, 2014 ($ thousands)



Source: Ernst and Young (2015)

Connecticut, like Massachusetts, generates a significant amount of its output from certain dominant industries such as insurance, financial services, and aerospace. However, in contrast to Connecticut, Massachusetts derives higher tax revenue from businesses. Furthermore, Connecticut provides businesses the lowest share of business taxes as a percentage of state and local taxes not only in New England, as Figure 2.6 shows, but in the country. This is a significant advantage for business and makes Connecticut an attractive location to do business.

Figure 2.6: Business Share of Total State and Local Taxes, 2014



Source: Ernst and Young (2015)

Promoting Connecticut as a business tax-friendly state needs revaluation, particularly considering that years of budget cuts have left the state in a weaker position. As De Avila (2017) reports, the public sector job loss in Connecticut reach 4,300 positions in 2016, with an overall decline in public employment of 21,900 jobs relative to the peak in 2008. In other words, Connecticut is not achieving the expected job creation results by having both the lowest business taxes per private sector worker in the region, and the lowest share of business taxes as a share of state and local taxes in the United States. Other states in the region, including New York and New Jersey, with a higher business tax burdens, are outperforming Connecticut.

Finally, considering the importance given to the highly skilled and educated labor force in Connecticut, Figure 2.7 shows the Tax-Benefit ratio under different assumptions in terms of the educational spending that directly benefits businesses. For example, under the assumption that the education spending that generates such highly skilled and educated labor force does not directly benefit businesses, the Tax-Benefit ratio in Connecticut is 2.7. In other words, businesses are taxed $2.70 for every dollar of government services they received. Although a benchmark, this is a highly unlikely scenario for a state that attracts businesses due to its highly skilled and educated labor force.

Nevertheless, **following the Tax-Benefit ratio, Connecticut still provides the lowest business tax burden relative to other states in New England, as well as New York and New Jersey –** even under the limited assumption that no benefits from education spending spill over to the private sector.

With a highly skilled and educated labor force as part of the wider strategy to attract and retain businesses to the state, it is therefore reasonable to assume that state funding allocated to education must have a direct and significant impact on Connecticut’s business environment.

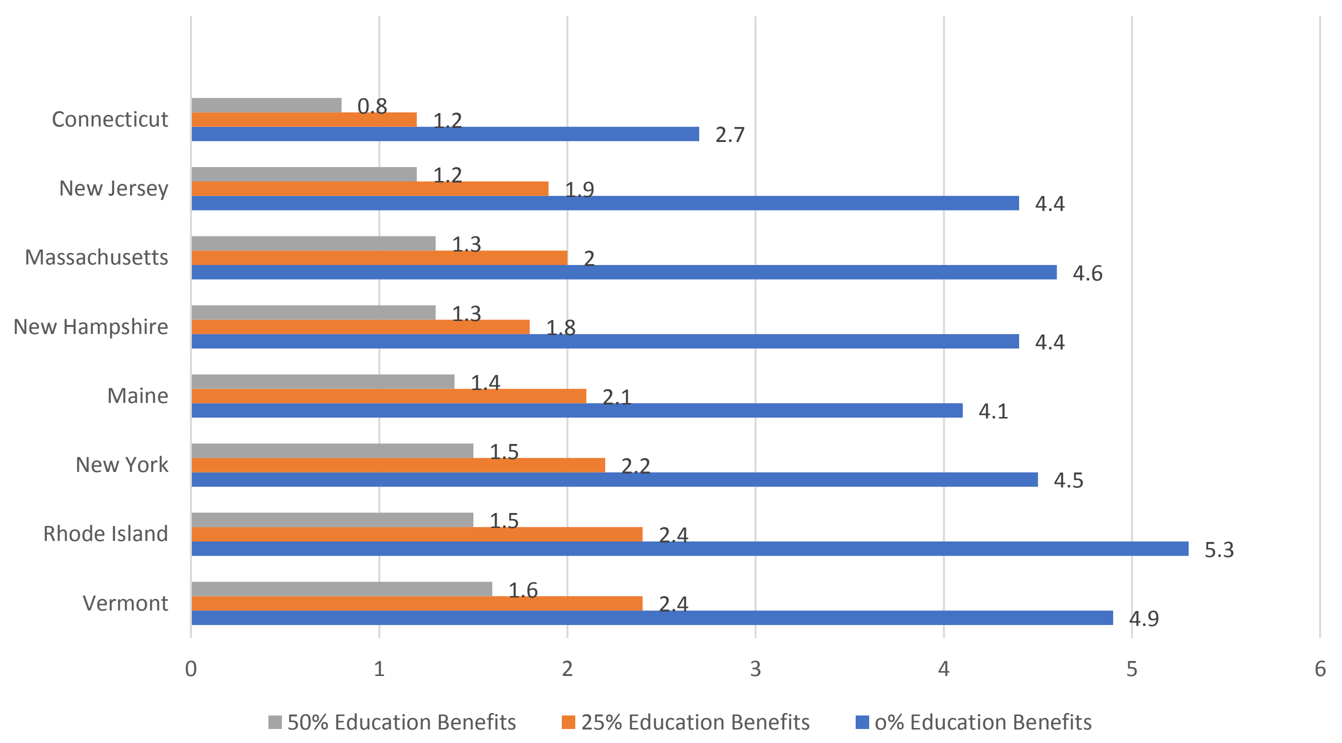
From this perspective, and following the less limited assumption that 25% of the education spending directly benefits businesses in the state, a different outcome emerges. As Figure 2.7 shows, when assuming a 25% direct impact from education spending on businesses, the Tax-Benefit ratio in Connecticut decreases from 2.7 to 1.2. In other words, following the assumption that 25% of education spending returns as benefits to the private sector, businesses are only taxed $1.20 for every dollar of government services they received. Under this assumption, Connecticut continues to provide the lowest tax burden in the region, including New York and New Jersey.

A more valid, although still conservative, assertion for the state of Connecticut, as reported by Ernst and Young (2015), is to assume that 50% of the education spending in the state has a direct benefit on the private sector. Again, it is imperative to underscore the key role that highly skilled and educated workers perform in Connecticut’s economy. Thus, assuming that only $.50 of every dollar of education spending returns to the private sector as a direct benefit should be considered a conservative estimate.

Under this assumption, as Figure 2.7 shows, the Tax-Benefit ratio in Connecticut decreases from 1.2 to 0.8. In other words, if 50% of the education spending in the state benefits the private sector, **businesses in Connecticut are only taxed $0.80 for every dollar of government services received.**

Under this scenario, the tax revenue received by the state from businesses is significantly less than the benefits businesses received from the state. Furthermore, as Figure 2.7 shows, Connecticut has the lowest Tax-Benefit ratio among New England states, New York, and New Jersey; and as Ernst and Young (2015) explain, the second lowest Tax-Benefit ratio in the United States. In other words, Connecticut offers businesses the second lowest tax burden, relative to benefits received from the state, in the United States.

Figure 2.7: Tax-Benefit Ratio, 2014



Source: Ernst and Young (2015)

Connecticut's standing as a low tax burden state remains unchanged even after assuming that education spending does not directly benefit businesses, that 25% of education spending directly benefit businesses, or that 50% education spending by the state directly benefit businesses. While the state ranking remains the same, the benefits shift dramatically in favor of businesses once we recognize the **proper impact education spending has on the private sector,** signaling the **significant impact higher education has on the creation of a highly skilled and educated labor force** in the state of Connecticut. Connecticut's ranking as a state with one the lowest business tax burden, measured by Tax-Benefit ratio, signals an **uneven distribution of the tax burden**. This is directly represented by the impact of the recent trend in budget cuts, particularly the impact on Connecticut's budget and finances, as well as the impact and current conditions related to employment in the public sector.

3. The Connecticut Economy in Context: Strengths and Advantages

In addition to its business tax advantages, Connecticut features several economic strengths according to multiple indicators, as compared to both other states, and the US as a whole. These strengths offer significant economic advantages to Connecticut's businesses, citizens, and government institutions. Not only do they deliver advantages to the Connecticut economy that few states have, they reflect decades of public investments, and offer significant opportunities for further investment and future economic growth. Moreover, Connecticut has seen marked improvements in a number of measures since the Great Recession of 2007-2009. These improvements exceed national-level changes in these outcomes, and many state-level changes, including those in other New England and neighboring states.

This section of the report draws upon publicly available data sources to examine three areas of strength and improvement in the Connecticut state economy following the Great Recession – median household income, poverty, and educational attainment. The results of this study indicate the following:

*1) **Few states rank higher than Connecticut with regard to median household income.** Since 2012, median household income has grown faster in Connecticut than all other states in New England, and the US as a whole.*

*2) According to three major estimates, Connecticut ranks favorably in the quintile of states with the **lowest rates of statewide poverty.** These state poverty rates are much lower than corresponding estimates for the US.*

*3) Connecticut features some of the **highest rates of educational attainment in the nation,** according to two established measures. Connecticut also ranks very highly with regard to changes in educational attainment since the Great Recession. Both outcomes greatly exceed similar figures for the US as a whole.*

3.1 Median Household Income

This study draws upon real median household income data from the US Census Bureau. The data were extracted from the Federal Reserve Economic Data, or "FRED" database, which is maintained by the Economic Research Division of the Federal Reserve Bank of Saint Louis. The Census Bureau provides this information on an annual basis using multiple household programs and surveys. As the name itself indicates, this measure refers to income collected at the household level, as compared to alternatives such as personal income or family income. Median household income refers to the middle or midpoint in the distribution of household incomes, as opposed to a mean or average. Since this study performs inter-year comparisons of median household income, the data are adjusted for inflation using current methods developed by the US Bureau of Labor Statistics.[1]

Table 3.1 presents state and national real median household income figures in 2015.[2] For the nation as whole, median household income is $56,516. At $72,889, Connecticut surpasses the US overall by 29%. In comparison to other states, Connecticut has the fourth highest median household income in the country, after New Hampshire ($75,675), Alaska ($75,112), and Maryland ($73,594). Moreover, the difference between the fourth and fifth spot in the country is not close; Minnesota and New Jersey rank just behind Connecticut, but by a difference of over $4,000. Connecticut also surpasses other New England and neighboring states by differences ranging from $5,028 (Massachusetts) to $22,133 (Maine). The states with the lowest real median household incomes are Alabama ($44,509), West Virginia ($42,824), Arkansas ($42,798), Kentucky ($42,387), and Mississippi ($40,037).

Table 3.1
Real Median Household Income
State vs. National Figures in 2015

New Hampshire	**$75,675**	Illinois	$60,413	Indiana	$51,983
Alaska	$75,112	Pennsylvania	$60,389	Idaho	$51,624
Maryland	$73,594	**Vermont**	**$59,494**	Montana	$51,395
Connecticut	***$72,889***	Missouri	$59,196	North Carolina	$50,797
Minnesota	$68,730	**New York**	**$58,005**	Georgia	$50,768
New Jersey	**$68,357**	Delaware	$57,756	**Maine**	**$50,756**
Massachusetts	**$67,861**	North Dakota	$57,415	Florida	$48,825
Washington	$67,243	**United States**	**$56,516**	Tennessee	$47,330
Colorado	$66,596	Texas	$56,473	Oklahoma	$47,077
Utah	$66,258	**Rhode Island**	**$55,701**	South Carolina	$46,360
Hawaii	$64,514	Wisconsin	$55,425	Louisiana	$45,922
California	$63,636	South Dakota	$55,065	New Mexico	$45,119
Virginia	$61,486	Kansas	$54,865	Alabama	$44,509
Wyoming	$60,925	Michigan	$54,203	West Virginia	$42,824
Iowa	$60,855	Ohio	$53,301	Arkansas	$42,798
Oregon	$60,834	Arizona	$52,248	Kentucky	$42,387
Nebraska	$60,474	Nevada	$52,008	Mississippi	$40,037

Source: US Census Bureau

Like many states, Connecticut struggled following the official end of the Great Recession in June of 2009, as median household incomes in Connecticut decreased between 2010 and 2012. However, since 2012, Connecticut has seen significant growth in median household incomes. Table 3.2 reports percentage changes in this indicator between 2012 and 2015. At 9.9%, Connecticut's increase in real median household income exceeds all other states in New England, and the national increase

[1] For detailed information on this data series, the reader is referred to: https://www.census.gov/topics/income-poverty/income.html

[2] Connecticut is denoted in red, while the US is denoted in blue. The remaining New England states (Maine, Massachusetts, New Hampshire, Rhode Island, Vermont), as well as neighboring states New Jersey and New York, are denoted in green.

of 7.3%. In fact, twenty percent of states saw no change, or contraction, in median household incomes over this period, the largest of which occurred in Virginia (-7.8%). New Hampshire, which previously held the top spot, saw a smaller increase of 8.1%. Vermont (3.7%) and Massachusetts (3.3%) saw improvements, but less than the national trend, while Maine stagnated and Rhode Island saw decline (-3.8%). In the Tri-State Area, real median household income increased by 17.8% in New York, the second strongest state increase during this time period, but decreased by 0.7% in New Jersey.

Table 3.2
Real Median Household Income
State vs. National Percentage Changes, 2012 - 2015

North Carolina	18.4%	Indiana	9.1%	**Massachusetts**	**3.3%**
New York	**17.8%**	California	8.1%	Florida	2.7%
Ohio	16.4%	**New Hampshire**	**8.1%**	Wyoming	2.6%
Missouri	15.2%	South Dakota	7.9%	Georgia	2.2%
Alaska	14.3%	Minnesota	7.7%	Wisconsin	1.2%
Delaware	14.2%	Arizona	7.6%	South Carolina	1.1%
Oregon	13.8%	**United States**	**7.3%**	New Mexico	0.7%
Louisiana	13.8%	Tennessee	6.6%	**Maine**	**0.0%**
Illinois	13.1%	Nevada	6.4%	Kentucky	-0.1%
Pennsylvania	12.7%	Kansas	6.3%	North Dakota	-0.3%
Colorado	12.7%	Arkansas	6.3%	**New Jersey**	**-0.7%**
Nebraska	12.2%	Mississippi	5.8%	Maryland	-0.8%
Hawaii	11.1%	Texas	5.4%	Alabama	-0.8%
Montana	10.4%	Michigan	5.0%	**Rhode Island**	**-3.8%**
Iowa	10.3%	Washington	4.7%	West Virginia	-4.8%
Utah	10.0%	Idaho	4.4%	Oklahoma	-5.8%
Connecticut	***9.9%***	**Vermont**	**3.7%**	Virginia	-7.8%

Source: US Census Bureau

Table 3.3 expands upon this point by comparing Connecticut's performance over this time period with the United States, as well as other New England and neighboring states. Connecticut's trend in median household income follows a path similar to the US – a largely steady increase between 2012 and 2015, with a drop in 2014 that was made up for by 2015. New Hampshire and New York saw the steadiest increases, with substantial improvements more recently in 2014 and 2015. Although median household incomes grew by 3.3% in Massachusetts during this time overall, that increase is mostly due to a large increase in 2015; otherwise, median household incomes steadily decreased in Massachusetts between 2012 and 2014. Both Vermont and Maine have seen decreases in this measure since 2013, while Rhode Island saw a decrease in 2013 and an even sharper plunge in 2015. New Jersey, whose real median household income exceeded Connecticut in 2012, continues to recover from a sharp decrease in 2013.

Table 3.3
Real Median Household Income
Connecticut vs. the United States, New England, and Neighboring States,
2012 - 2015

	2012	2013	2014	2015	Change
Connecticut	$66,323	$70,506	$70,242	$72,889	9.9%
United States	$52,666	$54,525	$53,718	$56,516	7.3%
New York	$49,221	$50,842	$54,372	$58,005	17.8%
New Hampshire	$70,011	$70,311	$73,481	$75,675	8.1%
Vermont	$57,378	$66,662	$60,778	$59,494	3.7%
Massachusetts	$65,713	$63,625	$63,224	$67,861	3.3%
Maine	$50,747	$55,921	$51,769	$50,756	0.0%
New Jersey	$68,847	$64,872	$65,318	$68,357	-0.7%
Rhode Island	$57,877	$57,311	$58,700	$55,701	-3.8%

Source: US Census Bureau

3.2 Poverty

The source of poverty data for this study is the Small Area Income and Poverty Estimates (SAIPE) program of the US Census Bureau, which are available through the FRED database. This program provides, as the name suggests, estimates of income and poverty on an annual basis for small geographic levels, e.g. school districts, counties, and states. It uses standard statistical methods for estimating such outcomes for these areas, and draws upon a variety of sources to do so, including publicly available data sources and social welfare programs, among other indicators.[3] This study examines three poverty estimates from this program: the percentage of people of all ages in poverty, the percentage of people under the age of five in poverty, and the percentage of people under the age of eighteen in poverty. While these figures do not account for variations in poverty and inequality within the state, which are often substantial, they do indicate that Connecticut is in a more favorable position than the vast majority of states, and the US as a whole, across all three measures.

Table 3.4 presents estimates of the percentage of people of all ages in poverty for all states and the US, in 2014. Connecticut has the third lowest poverty rate (10.8%) according to this measure, only after New Hampshire (9.2%) and Maryland (10.4%). By comparison, the estimate for the US is 4.7 percentage points higher, at 15.5%. Poverty rates for New Jersey and the remaining New England states are lower than the national figure, but higher than Connecticut, ranging between 11.1% and 14.8%. New York's poverty rate of 16% slightly

[3] For detailed information on this data series, the reader is referred to:
https://www.census.gov/did/www/saipe/index.html

exceeds the national estimate. The states with highest rates are Kentucky (19%), Alabama (19.2%), Louisiana (19.9%), New Mexico (20.6%), and Mississippi (21.9%).

Table 3.4
People of All Ages in Poverty
State vs. National Estimated Percentages in 2014

New Hampshire	**9.2%**	Washington	13.2%	California	16.4%
Maryland	10.4%	Wisconsin	13.2%	Oregon	16.4%
Connecticut	***10.8%***	Kansas	13.5%	Florida	16.6%
New Jersey	**11.1%**	Pennsylvania	13.6%	Oklahoma	16.6%
North Dakota	11.1%	**Maine**	**14.0%**	North Carolina	17.2%
Wyoming	11.2%	South Dakota	14.1%	Texas	17.2%
Alaska	11.4%	Illinois	14.3%	South Carolina	17.9%
Minnesota	11.4%	Idaho	14.8%	Arizona	18.2%
Hawaii	11.5%	**Rhode Island**	**14.8%**	Tennessee	18.2%
Massachusetts	**11.7%**	Indiana	15.2%	West Virginia	18.3%
Utah	11.8%	Montana	15.2%	Georgia	18.4%
Virginia	11.8%	Nevada	15.4%	Arkansas	18.7%
Vermont	**12.0%**	Missouri	15.5%	Kentucky	19.0%
Colorado	12.1%	**United States**	**15.5%**	Alabama	19.2%
Iowa	12.3%	Ohio	15.8%	Louisiana	19.9%
Nebraska	12.3%	**New York**	**16.0%**	New Mexico	20.6%
Delaware	13.0%	Michigan	16.2%	Mississippi	21.9%

Source: Small Area Income and Poverty Estimates

Two alternative measures estimate rates of child poverty. In both cases, Connecticut continues to feature low poverty rates, but in the bottom quintile of states, as opposed to the bottom ten percent of states, as was the case previously. Table 3.5 first reports estimates of the percentage of people under the age of five in poverty in 2014. 16.8% of people under the age of five live in poverty in Connecticut. That figure, which has declined from a peak of 17.4% in 2011, is lower than the national rate (23.9%) by 7.1 percentage points. It is also lower than all other New England and neighboring states except New Hampshire (15.2%), and the vast majority of states overall. Rhode Island's child poverty rate according to this measure (25.6%), for example, exceeds the national rate by 1.7 percentage points, as does New York's by a smaller margin. The states with the highest shares of children under the age of five living in poverty, which range from 29.7% to 33.3%, are the exact same states with the highest poverty rates for all ages.

Table 3.6 examines an alternative measure of child poverty – the proportion of people under the age of eighteen living in poverty in 2014. Connecticut again fares better than the vast majority of states, and better than its own performance with regard to children under the age of five living in poverty. For the US as a whole, 21.7% of children under of the age of eighteen live in poverty; in Connecticut, 14.9% of children under the age of eighteen live in poverty, a 6.8 percentage point advantage. Connecticut also bests all other New England and neighboring states, which range between 15.3% and 22.9%, except New Hampshire (12.6%). Once again, New York fares worse than the US as a whole. By comparison, states with the highest child poverty rates according to this measure range between 26.4% and 30.7%. The composition of those states is similar to the previous measures, with South Carolina replacing Kentucky for a position in the top five.

Table 3.5
People Under the Age of 5 in Poverty
State vs. National Estimated Percentages in 2014

Maryland	14.3%	Washington	19.6%	Michigan	26.0%
Utah	14.4%	Montana	20.8%	Nevada	26.3%
Hawaii	14.6%	Wisconsin	21.5%	Texas	26.5%
New Hampshire	**15.2%**	Pennsylvania	21.7%	Florida	26.5%
Wyoming	15.5%	Delaware	21.8%	Ohio	26.7%
North Dakota	15.7%	Idaho	22.4%	North Carolina	27.1%
Colorado	16.3%	Illinois	22.7%	Arizona	28.4%
Iowa	16.7%	South Dakota	22.7%	South Carolina	28.7%
Connecticut	***16.8%***	**Maine**	**23.0%**	West Virginia	28.7%
Minnesota	16.8%	California	23.4%	Tennessee	29.2%
Virginia	16.9%	**United States**	**23.9%**	Georgia	29.6%
Massachusetts	**17.1%**	**New York**	**24.6%**	Arkansas	29.7%
Vermont	**17.4%**	Missouri	24.7%	Kentucky	29.7%
Alaska	17.4%	Oklahoma	24.8%	Alabama	30.6%
New Jersey	**17.6%**	Oregon	25.0%	New Mexico	31.5%
Nebraska	18.0%	Indiana	25.4%	Louisiana	31.6%
Kansas	19.6%	**Rhode Island**	**25.6%**	Mississippi	33.3%

Source: Small Area Income and Poverty Estimates

Table 3.6
People Under the Age of 18 in Poverty
State vs. National Estimated Percentages in 2014

New Hampshire	**12.6%**	Kansas	17.6%	Michigan	22.6%
Utah	13.4%	South Dakota	18.4%	Ohio	22.7%
North Dakota	13.7%	Wisconsin	18.4%	**New York**	**22.9%**
Wyoming	13.7%	Idaho	19.0%	North Carolina	24.1%
Maryland	13.8%	**Maine**	**19.0%**	Florida	24.2%
Minnesota	14.8%	Delaware	19.2%	Texas	24.5%
Connecticut	***14.9%***	Montana	19.2%	West Virginia	25.0%
Hawaii	15.2%	Pennsylvania	19.2%	Arizona	25.6%
Massachusetts	**15.3%**	Illinois	20.1%	Kentucky	25.9%
Vermont	**15.4%**	Indiana	21.2%	Tennessee	25.9%
Alaska	15.5%	**Rhode Island**	**21.2%**	Arkansas	26.3%
Iowa	15.5%	Missouri	21.3%	Georgia	26.3%
Colorado	15.6%	Oregon	21.3%	South Carolina	26.4%
New Jersey	**15.8%**	**United States**	**21.7%**	Alabama	27.4%
Virginia	15.9%	Nevada	22.2%	Louisiana	28.0%
Nebraska	16.0%	Oklahoma	22.4%	New Mexico	28.0%
Washington	17.5%	California	22.6%	Mississippi	30.7%

Source: Small Area Income and Poverty Estimates

3.3 Educational Attainment

The educational attainment data for this study were recorded by the American Community Survey (ACS), which is part of the US Census Program, and extracted from the FRED economic database. The purpose of the American Community Survey is to provide more frequent estimates and information between the decennial Censuses, at one-year, three-year, and five-year intervals. These estimates, which cover multiple geographic levels, offer more detailed demographic, economic, housing, and social information about American communities and states, and their populations.[4] This study examines two established measures of educational attainment contained in the survey, and their changes following the Great Recession: the percentage of twenty-five year olds and over who have a completed Bachelor's degree, and the percentage of twenty-five year olds and over who have a completed advanced degree.

Table 3.7 reports state and national figures for the first measure in 2012. In terms of the percentage of twenty-five year olds and over who have a completed Bachelor's degree, Connecticut ranks third highest in the nation at 37.1%. That figure is eight percentage points higher than an equivalent figure for the US as a whole, which is 29.1%. The only other states

[4] For detailed information on this data series, the reader is referred to: https://www.census.gov/programs-surveys/acs/

with higher rates of educational attainment according to this measure are Massachusetts (39.3%) and Colorado (37.5%). Across the rest of New England and the Tri-State Area, New Jersey (36.2%), Vermont (35.8%), New Hampshire (34.6%), New York (33.4%), and Rhode Island (31.4%) all rank higher than the national result – but lower than Connecticut – while Maine (28%) sits slightly below the national result. The states with the lowest rates of educational attainment according to this measure are Louisiana (22%), Kentucky (21.8%), Arkansas (21%), Mississippi (20.7%), and West Virginia (18.6%).

A deeper question though, concerns the direction, and the extent, of changes in educational attainment in recent years. Since the Great Recession, has Connecticut seen an increase or decrease in the percentage of people with Bachelor's degrees? Table 3.8 reports percentage point changes in this figure between 2010 (the first full year of national recovery following the Great Recession) and 2012. Here again, Connecticut ranks very high as compared to other states, and the US as a whole. Over this time period, the share of twenty-five year olds and over who have a completed Bachelor's degree increased 1.6 percentage points in Connecticut, which is the fourth highest increase in the nation. The only other states with larger increases are Vermont (2.2 percentage points), New Hampshire (1.8 percentage points), and Delaware (1.7 percentage points). Rhode Island and Maine both saw an increase of 1.2 percentage points, which also exceeds the national increase of 0.9 percentage point. New York and New Jersey witnessed increases comparable to the US as a whole. Interestingly, while Massachusetts maintains the highest rate of educational attainment at the Bachelor's level in 2012, its increase over this time period was one of the lowest in the nation, at 0.3 percentage point. Connecticut therefore occupies a rare position with regard to this measure: it is the only state to rank in the top ten percent of states according to both the *rate* of undergraduate educational attainment, and the *change* in the rate of undergraduate educational attainment, since the Great Recession.

Table 3.7
People Twenty-Five Years and Older Who Have Completed a Bachelor's Degree
State vs. National Percentages in 2012

Massachusetts	**39.3%**	Oregon	29.9%	South Dakota	26.3%
Colorado	37.5%	Delaware	29.5%	New Mexico	26.1%
Connecticut	***37.1%***	Montana	29.4%	Michigan	26.0%
Maryland	36.9%	**United States**	**29.1%**	Idaho	25.5%
New Jersey	**36.2%**	Nebraska	29.0%	Ohio	25.2%
Vermont	**35.8%**	Georgia	28.2%	South Carolina	25.1%
Virginia	35.5%	**Maine**	**28.0%**	Wyoming	24.7%
New Hampshire	**34.6%**	Alaska	28.0%	Tennessee	24.3%
New York	**33.4%**	North Dakota	27.9%	Oklahoma	23.8%
Minnesota	33.2%	Pennsylvania	27.8%	Indiana	23.4%
Washington	31.7%	North Carolina	27.4%	Alabama	23.3%
Illinois	31.6%	Arizona	27.3%	Nevada	22.4%
Rhode Island	**31.4%**	Wisconsin	27.1%	Louisiana	22.0%
California	30.9%	Florida	26.8%	Kentucky	21.8%
Utah	30.7%	Texas	26.7%	Arkansas	21.0%

Kansas	30.4%	Missouri	26.4%	Mississippi	20.7%
Hawaii	30.1%	Iowa	26.3%	West Virginia	18.6%

Source: American Community Survey

Table 3.8
People Twenty-Five Years and Older Who Have Completed a Bachelor's Degree
State vs. National Percentage Point Changes, 2010 - 2012

Vermont	**2.2%**	New Mexico	1.1%	Missouri	0.8%
New Hampshire	**1.8%**	Idaho	1.1%	Pennsylvania	0.7%
Delaware	1.7%	West Virginia	1.1%	Indiana	0.7%
Connecticut	***1.6%***	Oregon	1.1%	Nevada	0.7%
Arkansas	1.5%	Florida	1.0%	Hawaii	0.6%
Minnesota	1.4%	North Carolina	0.9%	South Carolina	0.6%
Arizona	1.4%	Oklahoma	0.9%	Louisiana	0.6%
Iowa	1.4%	**New York**	**0.9%**	Washington	0.6%
Alabama	1.4%	Georgia	0.9%	Kansas	0.6%
Utah	1.4%	**United States**	**0.9%**	Montana	0.6%
Kentucky	1.3%	**New Jersey**	**0.8%**	Ohio	0.6%
Virginia	1.3%	Illinois	0.8%	Wyoming	0.6%
Rhode Island	**1.2%**	Wisconsin	0.8%	Nebraska	0.4%
Maine	**1.2%**	Texas	0.8%	**Massachusetts**	**0.3%**
Tennessee	1.2%	Michigan	0.8%	North Dakota	0.3%
Mississippi	1.2%	Maryland	0.8%	Alaska	0.1%
Colorado	1.1%	California	0.8%	South Dakota	0.0%

Source: American Community Survey

However, Connecticut's economic strengths in educational attainment are not reserved to the undergraduate level; in terms of advanced degrees – i.e. Master's, professional school, or Doctorate degrees – Connecticut's position is even stronger. Table 3.9 presents the percentage of twenty-five year olds and over who have a completed advanced degree. According to this measure, Connecticut again ranks third highest in the nation in 2012, at 16.6%. By comparison, the national rate of educational attainment at the advanced level is 5.7 percentage points lower, at 10.9%. Only Massachusetts (17.1%) and Maryland (16.9%) rank higher than Connecticut. As was the case with Bachelor's degrees, New York (14.4%), Vermont (13.9%), New Jersey (13.8%), Rhode Island (12.8%), and New Hampshire (12.6%) exceed the national result, while Maine (9.8%) falls below it.

Table 3.9
People Twenty-Five Years and Older Who Have Completed an Advanced Degree
State vs. National Percentages in 2012

Massachusetts	**17.1%**	Pennsylvania	10.9%	South Carolina	9.1%
Maryland	16.9%	Kansas	10.9%	Texas	9.0%
Connecticut	***16.6%***	**United States**	**10.9%**	Kentucky	8.9%
Virginia	14.9%	Minnesota	10.8%	Alabama	8.6%
New York	**14.4%**	Hawaii	10.5%	Tennessee	8.6%
Vermont	**13.9%**	Utah	10.4%	North Dakota	8.4%
New Jersey	**13.8%**	Georgia	10.4%	Indiana	8.4%
Colorado	13.7%	Arizona	10.2%	Idaho	8.2%
Rhode Island	**12.8%**	Michigan	10.0%	Iowa	8.2%
New Hampshire	**12.6%**	**Maine**	**9.8%**	South Dakota	8.1%
Illinois	12.0%	Nebraska	9.7%	Oklahoma	7.9%
Delaware	11.4%	Missouri	9.7%	Wyoming	7.8%
Oregon	11.3%	Florida	9.6%	Mississippi	7.6%
California	11.3%	North Carolina	9.3%	Louisiana	7.5%
Washington	11.3%	Ohio	9.3%	Nevada	7.5%
New Mexico	11.2%	Wisconsin	9.3%	West Virginia	7.3%
Alaska	10.9%	Montana	9.2%	Arkansas	7.2%

Source: American Community Survey

In terms of the change in educational attainment at the advanced level, however, Connecticut ranks even higher. Table 3.10 reports percentage point changes in this figure between 2010 and 2012. Connecticut saw a 1.3 percentage point increase in the proportion of twenty-five year olds and over who have a completed advanced degree, which is the second highest increase in the nation; only Alaska saw a slightly stronger increase with 1.5 percentage points. Moreover, Connecticut's increase in educational attainment at the advanced level exceeds the increase for the nation as a whole (0.5 percentage point) by well over two-fold, and all other New England and neighboring states. Rhode Island, Vermont, and New Jersey both saw increases at or slightly above the national trend, while Massachusetts and New York (0.4 percentage point), Maine (0.3 percentage point), and New Hampshire (0.2 percentage point) all lagged behind that trend. Once again, Connecticut occupies a rare, and advantageous, position as the only state to rank in the top ten percent of states according to both the *rate* of advanced educational attainment, and the *change* in the rate of advanced educational attainment, since the Great Recession.

Table 3.10
People Twenty-Five Years and Older Who Have Completed an Advanced Degree
State vs. National Percentage Point Changes, 2010 - 2012

Alaska	1.5%	Maryland	0.5%	Oklahoma	0.4%
Connecticut	***1.3%***	**New Jersey**	**0.5%**	South Dakota	0.4%
Utah	1.0%	Illinois	0.5%	New Mexico	0.4%
Arizona	1.0%	Pennsylvania	0.5%	California	0.3%
Hawaii	0.9%	Idaho	0.5%	**Maine**	**0.3%**
Arkansas	0.9%	Minnesota	0.5%	Wisconsin	0.3%
Oregon	0.8%	North Dakota	0.5%	Indiana	0.3%
Kentucky	0.8%	Mississippi	0.5%	South Carolina	0.3%
Virginia	0.7%	Louisiana	0.5%	Iowa	0.3%
West Virginia	0.7%	**United States**	**0.5%**	Washington	0.2%
Colorado	0.7%	**Massachusetts**	**0.4%**	**New Hampshire**	**0.2%**
Nebraska	0.7%	**New York**	**0.4%**	Missouri	0.2%
Rhode Island	**0.6%**	Kansas	0.4%	Montana	0.2%
North Carolina	0.6%	Michigan	0.4%	Delaware	0.1%
Vermont	**0.6%**	Florida	0.4%	Tennessee	0.1%
Georgia	0.6%	Ohio	0.4%	Nevada	0.1%
Alabama	0.6%	Texas	0.4%	Wyoming	-0.6%

Source: American Community Survey

3.4 Analysis

Taken together, the findings from this section of the report suggest that Connecticut has a number of strong economic fundamentals. These fundamentals offer not only significant potential for greater economic growth and prosperity in the state, but potential that is more robust relative to most states, and the US as a whole. Within the state itself, these fundamentals carry private and public benefits that extend to workers and households, businesses and investors, as well as state and local governments.

For example, the benefits of **Connecticut's high median household income** are not restricted to the private benefits to those households in the form of a higher standard of living. Economies with high incomes have a greater capacity to support the incomes of others – especially businesses – through expenditures on goods and services, which reduce the likelihood of unemployment elsewhere in the economy. High-income economies also feature potentially stronger tax bases, with less reliance on social welfare programs. Connecticut's lower incidences of poverty, as compared to other states, could further reduce reliance on such programs, and free up government resources for other areas of investment.

Rising rates of educational attainment since the Great Recession could further support these outcomes. The strong associations between higher educational attainment and potentially higher median weekly earnings, as well as lower rates of unemployment, have been well-documented by national labor force statistics. Moreover, Connecticut's high, and rising, rates of educational attainment are capable of generating benefits to firms and other workers in the labor market. Economies with high concentrations of skilled and educated workers generate greater capabilities for knowledge spillovers, i.e. the informal exchange of knowledge and ideas between workers. These knowledge spillovers develop greater human capital for workers, and lower costs of training for businesses. Economies with concentrations of highly skilled and educated workers also generate efficiencies through labor market pooling that are to the benefit of firms (through lower costs of turnover, and ready access to human capital) and workers (through a lower likelihood of unemployment).

Connecticut's strong fundamentals in educational attainment – in particular, advanced education – therefore offer significant advantages and further investment opportunities for the state's high value-added industries like aerospace and insurance. These advantages are not coincidental; they have been supported by decades of public investments in K-12 and higher education. Moreover, recent evidence suggests that these fundamentals have only strengthened since 2000. According to Bui (2016), Connecticut is one of the few states in the New England and Tri-State areas (the others being New Hampshire and New Jersey) to see a net gain of young college graduates between 2000 and 2015.[5] Maine, Massachusetts, New York, Rhode Island, and Vermont all saw net losses in college educated people under forty, which is a common phenomenon across the Upper Midwest and Great Plains. This finding stands in stark contrast to the common perception that Connecticut faces a 'shrinking' population. The next section of this report engages that issue more closely by contrasting the state's objective business tax and economic advantages with local perceptions of well-being.

[5] The author calculates net migration of college educated people under forty. "Those who grew up in one state, went to college in another, and then moved again are counted as migrating from the state where they attended college."

4. General Well-Being Indicators in Connecticut

DataHaven, a 501(c)(3) non-profit organization dedicated to the collection and reporting of high quality data at the local and statewide level, conducted an extensive 16,000 household survey of Connecticut residents in 2015, which is the subject of this section. Contrary to widely publicized poll findings indicating that Connecticut residents are dissatisfied with life in Connecticut (Quinnipiac University Poll, 2016), this report finds that public perceptions of quality of life are generally positive, and encouraging. Based upon findings in the DataHaven Community Well Being Survey, which has a much larger sample size than the Q poll (1330 participants), Connecticut residents find the state to be a satisfying place in which to live, and to raise a family.

It is important to note that the positive view of important quality of life issues as reflected in this survey are associated with purposeful public investments made by the state government over time. State budget decisions resulting in improved neighborhood security, better educational opportunities, expanded and improved health care, and the availability of low-cost recreational activities do not occur by chance. They are, in fact, the product of a well-reasoned, long term budget policy intended to improve the living conditions of Connecticut residents.

The survey divided Connecticut into five groups of towns from 169 individual towns based upon similar characteristics, such as income, poverty, and population density; those groups are: wealthy, suburban, rural, urban periphery, and urban core. The survey was based upon interviews conducted over the phone in English, and in Spanish. The survey covered questions on general health and well-being, neighborhood, employment, and financial conditions. Table 4.1 provides a snapshot of the groups of towns in the survey.

Table 4.1: A Snapshot of Five Connecticuts

Wealthy	Suburban	Rural	Urban Periphery	Urban Core
Greenwich	North Haven	Putnam	Norwalk	Hartford
Darien	Granby	Sharon	Hamden	Bridgeport
Avon			East Haven	New Britain
West Hartford			Manchester	New Haven
				New London

The primary results of this survey are as follows:

1) *A large majority of residents in Connecticut* ***– 82% – are satisfied with the city or area they live in.*** *An even larger proportion of residents in wealthy towns agree.*

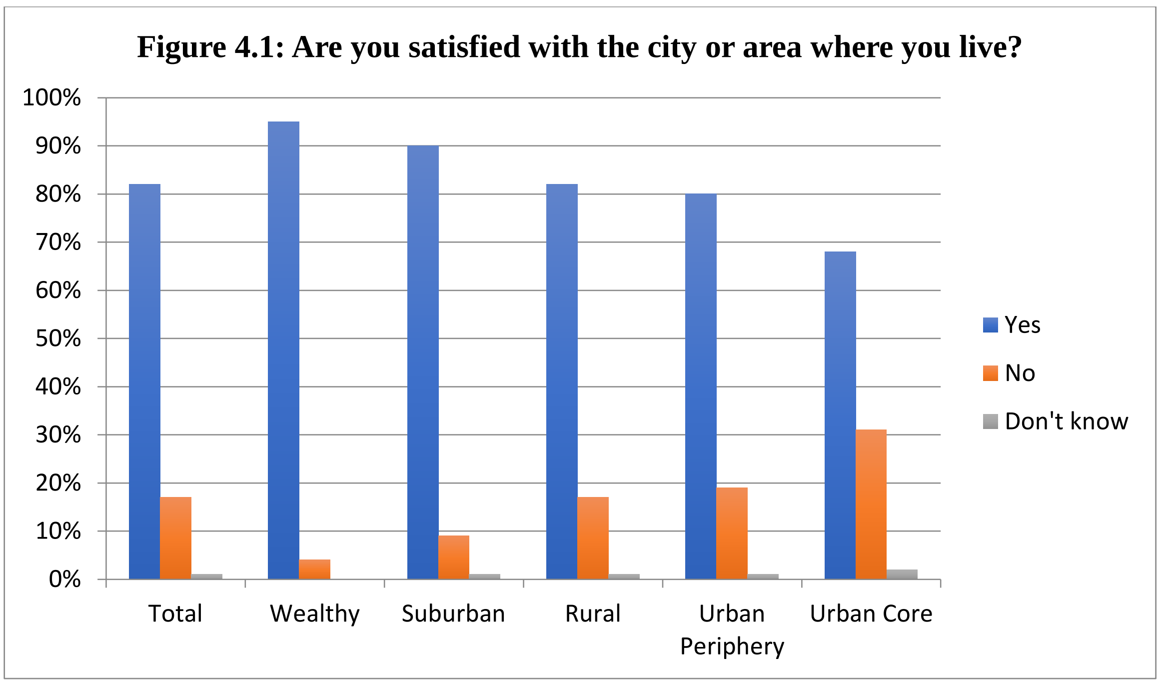
2) *There is an important link between the* ***free or low-cost recreational activities*** *that Connecticut provides, and the health conditions of people.* ***A healthy workforce leads***

to higher productivity levels that businesses based in Connecticut reap benefits from.

3) *70% of residents in Connecticut find it a* ***good place to raise children****. This is likely due to the good education opportunities that the state provides that make them competitive in the job market, with skills required to find jobs in these changing times.*

4.1 General Well-Being

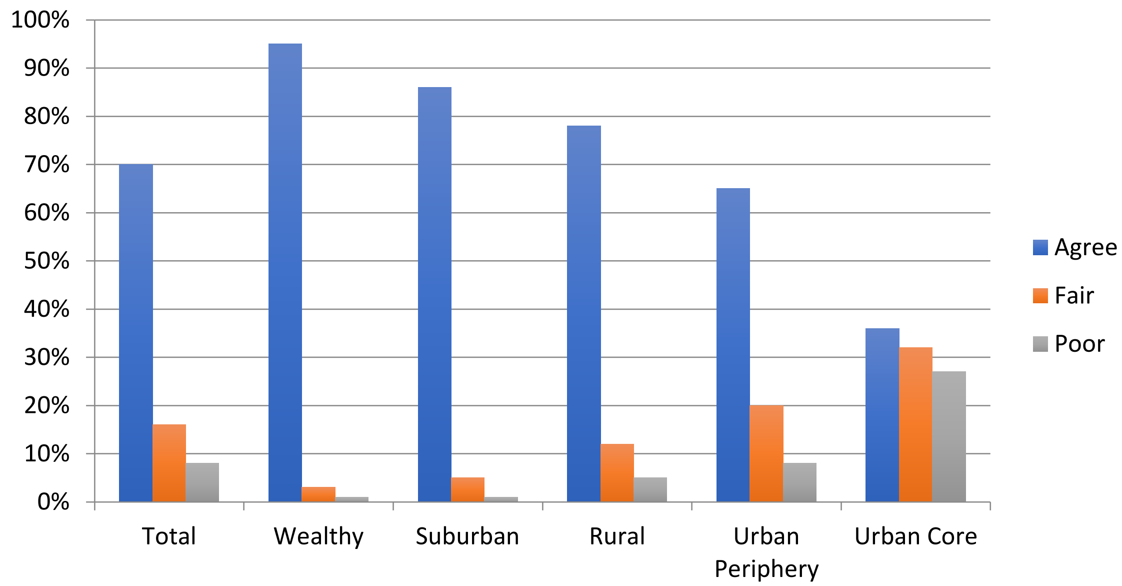
When residents were asked if they were satisfied with the city or area they live in, 82% answered positively (Figure 4.1). A greater percentage of people were satisfied with their towns if they lived in wealthier towns (over 90%) as compared to urban core towns, but the drop was not alarming. It is not surprising to find this result, as residents in wealthier towns are more likely to be satisfied with their neighborhood than those in the urban core towns. Wealthier residents can vote with their feet, which is not true for the residents in poorer towns.



Source: DataHaven

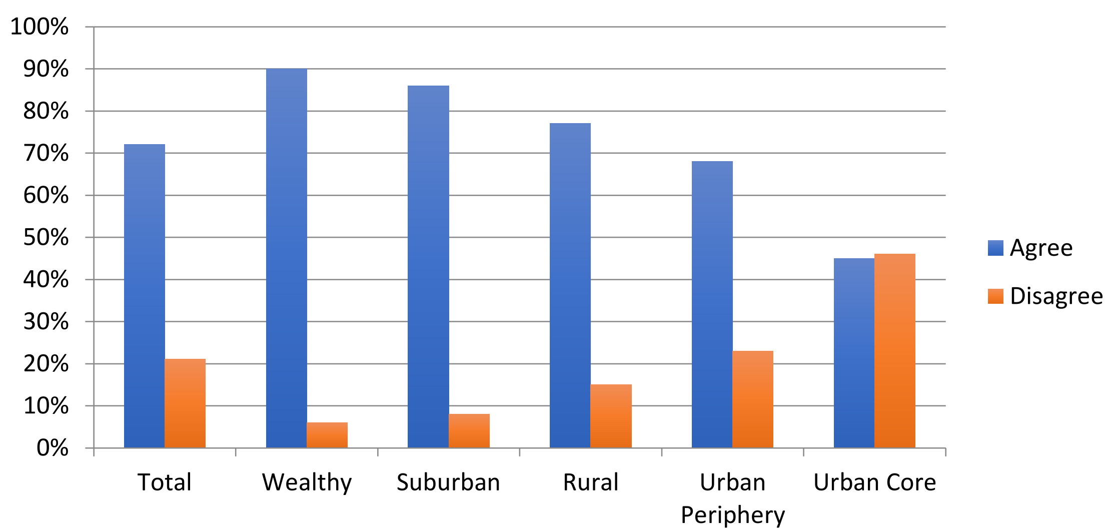
Over 70% of residents generally feel comfortable raising children here (Figure 4.2), but again, that figure is substantially higher in wealthy towns, where over 90% agreed. A majority of residents from most of the different regions of the survey also said that children and youth have positive role models in their communities (Figure 4.3), with the strongest response in wealthy towns (90%). This perception is surely associated with the broad base of education that is available in the state. It's a well-established fact that having good peers and positive role models for children in school is important in shaping the future educational goals of these children. This perception is matched with reality as discussed in the third section of the report, as Connecticut has some of the highest rates of educational attainment in the nation. High educational attainment is correlated with a skilled labor force that makes them better suited to the demands of businesses in the state, including high-tech firms like Pratt and Whitney or United Technologies, and insurance firms like The Hartford or Aetna. With state government providing a large share of K-12 public education and facility funding, it is quite clear that these expenditures have contributed directly to the positive attitude shared by Connecticut residents.

Figure 4.2: As a place to raise children?



Source: DataHaven

Figure 4.3: Children and youth in my town generally have the positive role models they need around here.

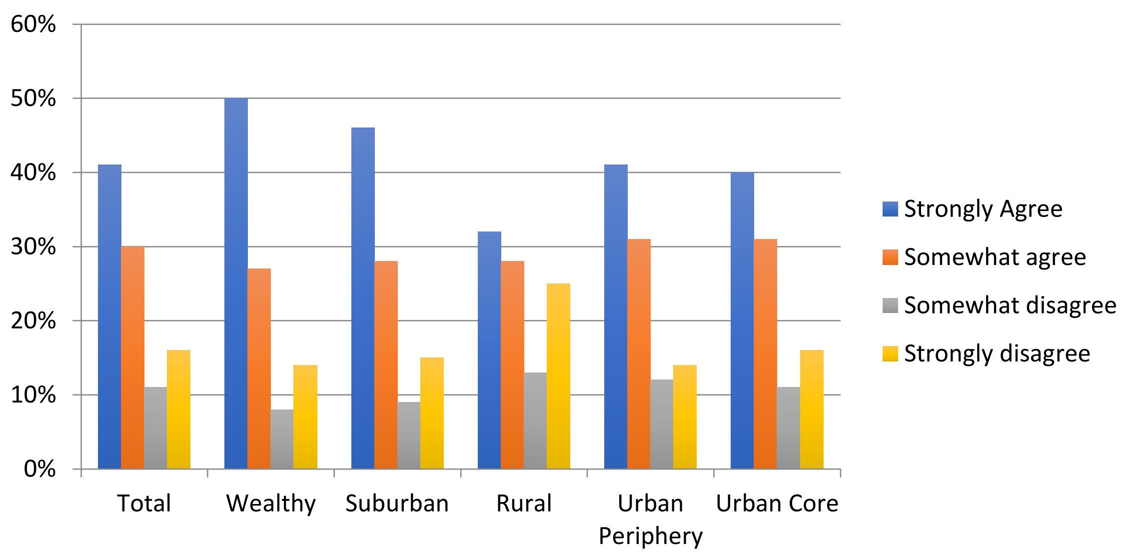


Source: DataHaven

4.2 Health

Most people (70%) agree that the neighborhood they live in has several free or low cost recreational facilities, such as parks, playgrounds, public swimming pools, etc. (Figure 4.4). Residents in wealthier towns (77%) feel more strongly that they are getting low-cost recreational facilities as compared to the urban core towns. This access to recreational facilities has important effects on the health and well-being of kids growing up in these neighborhoods. There is no doubt that kids need to engage in physical activity that promotes good health and shield them from obesity-induced health problems, like Type 2 diabetes, heart disease, etc. These health benefits have a long term effect on both the health and economic growth of the state, as having a healthy labor force leads to higher productivity levels. About 90% of survey participants said they don't have diabetes or heart disease, which are flattering numbers, and reveals the connection between the availability of low-cost or free public recreational facilities and the occurrence of life-threatening diabetes or heart disease (Q23, DataHaven 2015). Clearly the availability and utilization of low-cost or free public recreation facilities encourages healthy life styles and reduced incidences of serious disease. These outcomes are consistent with the intent of public investments designed to promote public health with societal benefits ranging from healthy children to healthy workers and improved productivity.

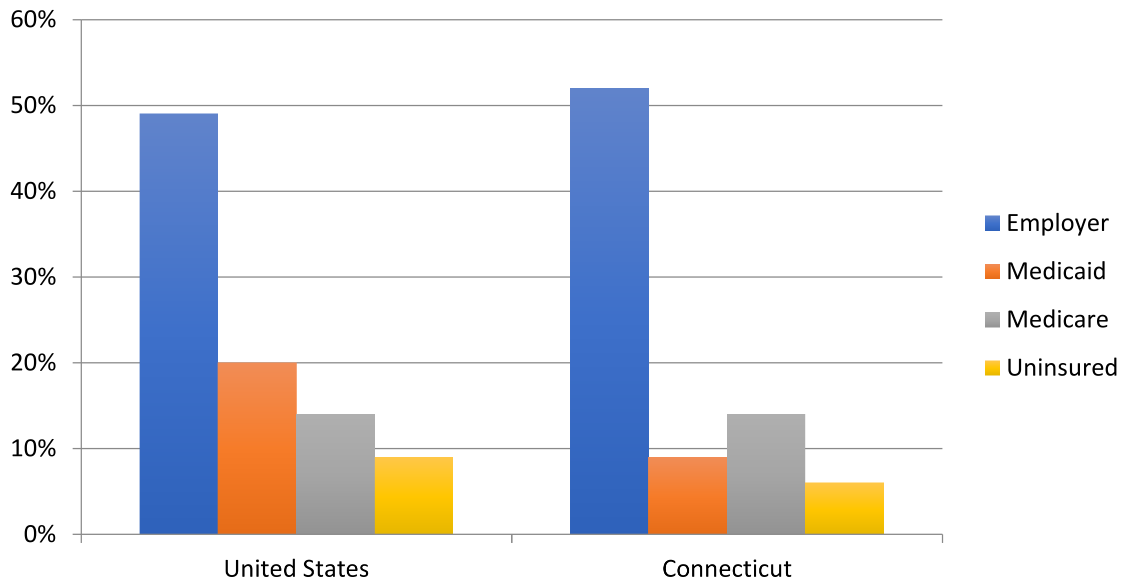
Figure 4.4: My neighborhood has several free or low cost recreational facilities such as parks, playgrounds, etc.



Source: DataHaven

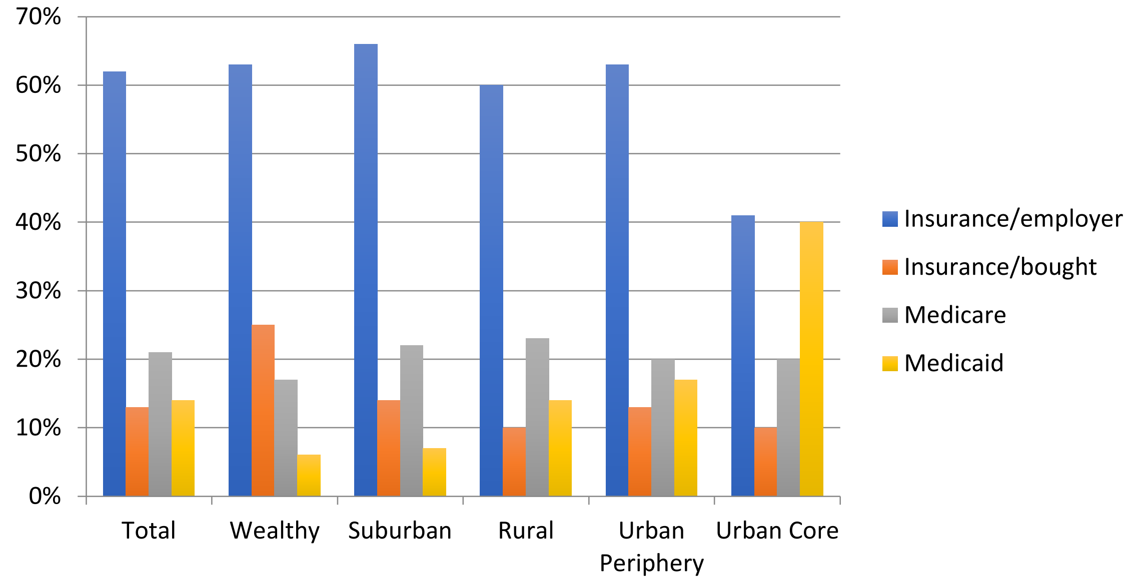
This relatively high rate of coverage reflects the results of aggressive efforts made by the state to expand the availability of affordable health care coverage. According to the 2015 analysis of health care coverage in the US conducted by the Henry J. Kaiser Family Foundation, the rate of "uninsured" in Connecticut is 6 percent, while the national average is 9 percent (Figure 4.5). In fact, Connecticut's rate of uninsured is among the lowest of the fifty states. 94% of survey participants from the state said they have health insurance (Q26, DataHaven 2015). About 62% said they obtained insurance through a current or former employer or union, whereas 21% were under Medicare and 14% under Medicaid. As Figure 4.6 shows, the percentage of people covered under Medicare and Medicaid in the urban core that consists of cities like Hartford, Bridgeport and Waterbury is higher than wealthy, or suburban towns. This result is totally expected, as the residents of the urban core have lower income levels and higher unemployment rates than the suburban towns, and are thus more likely to be covered under Medicare or Medicaid.

Figure 4.5: Health insurance coverage of the total population



Source: DataHaven

Figure 4.6: What types of health insurance do you have?

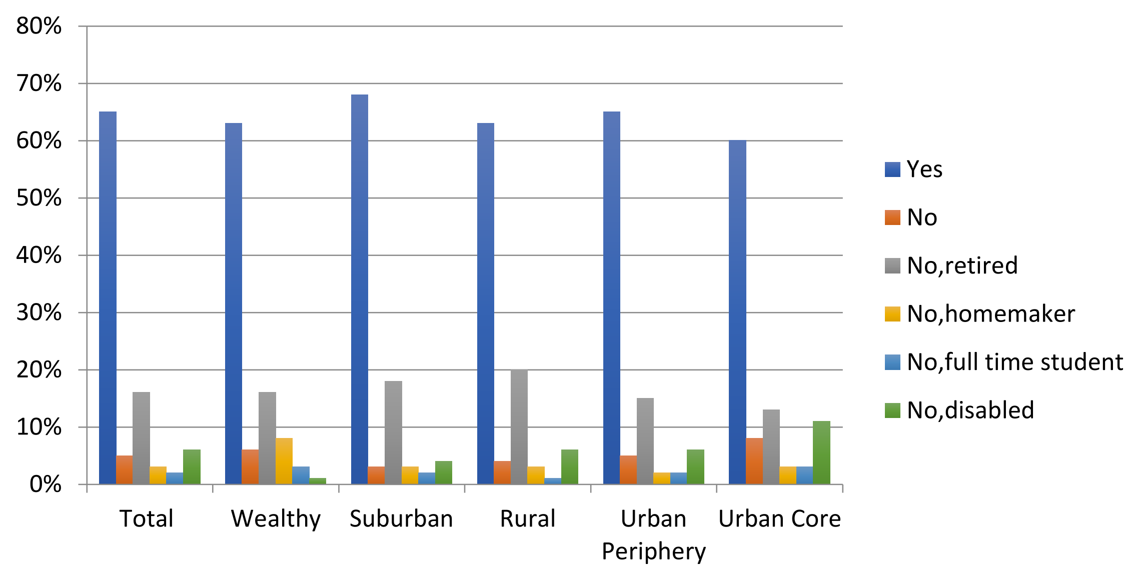


Source: DataHaven

4.3 Employment

On the job front, 65% of the survey participants had a paid job in the last 30 days of the survey, and 5% said they would like to have a job (Figure 4.7). This 65% figure is reflective of the fact that children, the elderly, many retirees and many disabled are not likely to be in the workforce. In reality, a more revealing statistic concerning the improving health of the Connecticut economy is the state's unemployment rate, which is now below 5%.

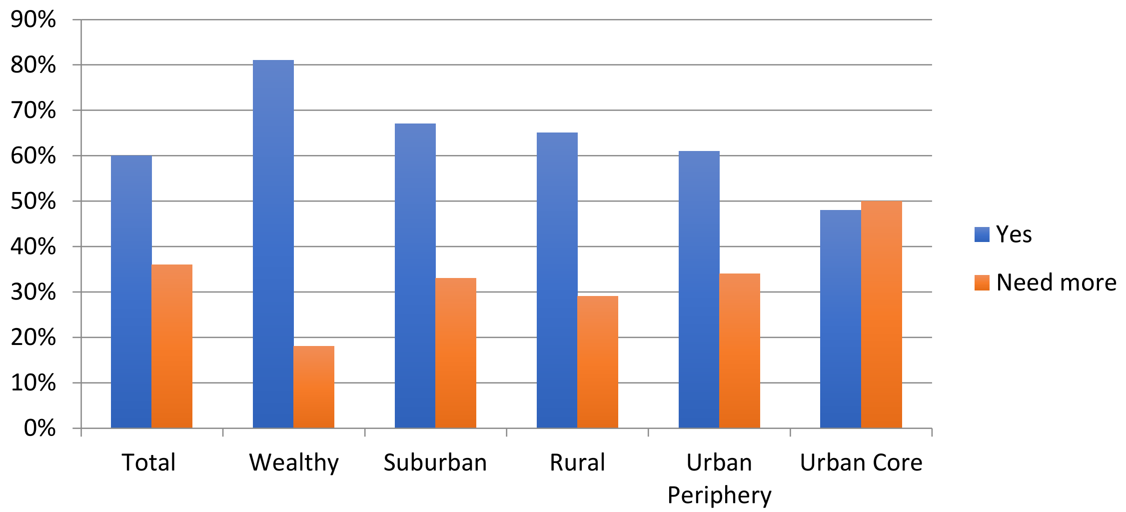
Figure 4.7: Have you had a job in the last 30 days?



Source: DataHaven

For people who did not have a paid job in the last 30 days, 48% of them were unemployed for less than a year (Q49, DataHaven 2015). The turnaround time for getting back to work is therefore modest. When participants were then asked if they had the necessary training and education to get the kind of job they want, 60% said yes (Figure 4.8). These are encouraging numbers and demonstrate the belief shared by many that, given the opportunity, employment can be secured and be maintained. This surely speaks to the strong base of education that Connecticut provides to its residents, which makes them better suited for the workforce in these changing times.

Figure 4.8: If did not have paid job in last 30 days (but would like to work), do you have the necessary education and training to get the kind of job you want?



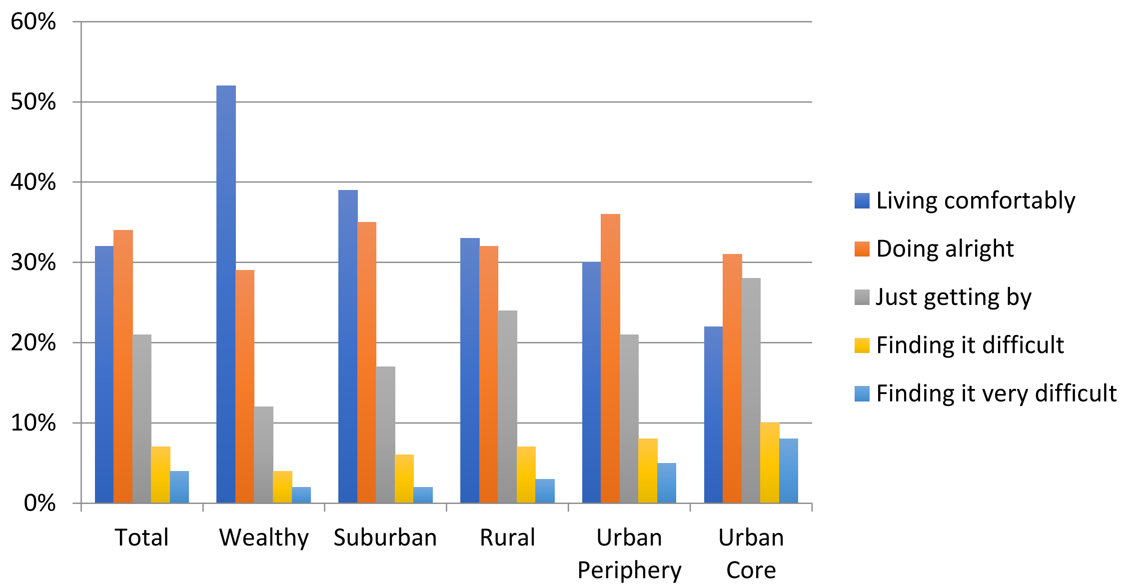
Source: DataHaven

4.4 Financial Distress

About 60% of the survey respondents said they "live comfortably" or are "doing alright" (Figure 4.9). The numbers are definitely better for the wealthy towns. Although the total number of people who fall under the above two categories drops in the urban core towns, there is a substantial group of people in the "just getting by" category for the urban core towns. About 18% of respondents in the urban core towns are "finding it difficult' or "finding it very difficult" to manage financially in comparison to 10% or less in other groups of towns. When residents were asked if they had enough money to buy food, 87% replied positively. In urban core towns, where income levels are lower than the other groups of towns, about 75% of the people said they had enough money to buy food (Figure 4.10). Despite the slow rebound in Connecticut's post-Great Recession economy, these numbers demonstrate a resilience and optimism that reflects recent employment gains and an improving state economy. These results are in line with the estimated rates of poverty in the state as reported by the US Census

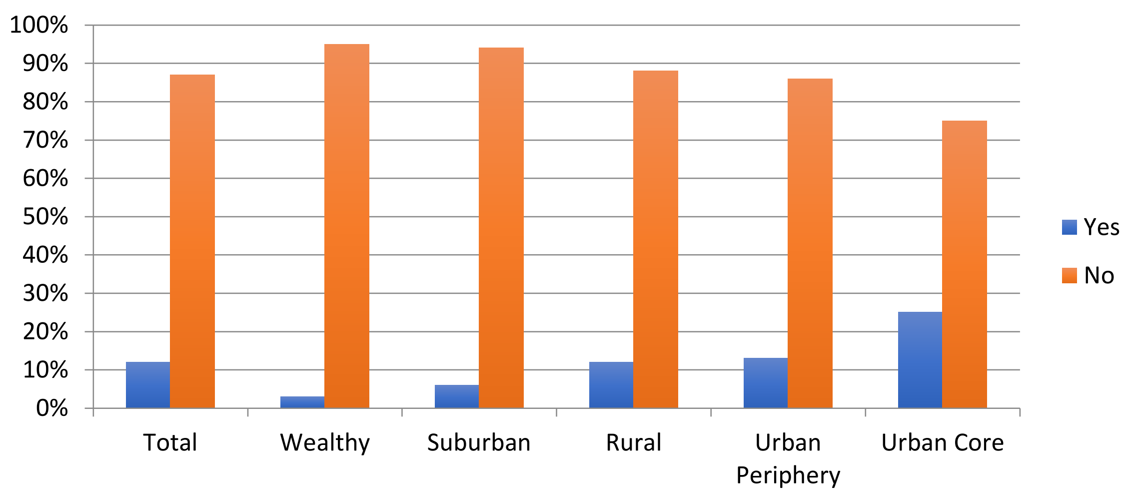
Bureau, which are pretty low compared to other states, as discussed in the previous section of this report.

Figure 4.9: How do you think you are managing financially?



Source: DataHaven

Figure 4.10: Have there been times when you did not have enough money to buy food?



Source: DataHaven

4.5 Analysis

The above discussion of the general well-being indicators in the state of Connecticut as reflected in the DataHaven survey does not represent the grim state that is portrayed in some reports. **When residents were asked about their living conditions in the state, their answers don't correspond to perceptions advanced by business advocates.**

One probable reason behind this dichotomy could be that people are largely satisfied with their local economic conditions, but may think that the rest of the state is struggling. The cumulative impact of this state's decades-long investment in public education, expanded health care, public safety, and employment training are reflected in public perceptions as surveyed by DataHaven. That is why when individuals are asked direct questions concerning living conditions, as well as health and employment conditions, they respond positively.

The interesting feature of this survey is that residents identify at a local level, where they feel more comfortable and more optimistic, and not at the state level, where perceptions may be more negative. But the **general negative expectations for the state as a whole, as known from economic theory, can be a self-fulfilling prophecy**, and may be a prime reason behind the negative perception that Connecticut receives.

Despite some of these negative projections, we can conclude that most Connecticut residents view their living conditions in a positive light.

5. Conclusion

This report documents several aspects of Connecticut's economic competitiveness – ranging from business taxation to broader socio-economic fundamentals – and weighs those aspects against quality of life perceptions by the state's residents. **The results of this report indicate that Connecticut's quality of life and economic competitiveness are robust and unsurpassed in the United States**. Since the Great Recession, Connecticut holds significant advantages that few states have, which have been supported by years of state and local government investments, and therefore substantial opportunities for further investment, economic growth, and prosperity.

We acknowledge that the findings of this report are not the popular perceptions of the state economy by the business community and government officials. The findings of this report shine a light on the health of Connecticut's economy, and the advantages that businesses enjoy. It also seeks to shift expectations surrounding the state's economic fundamentals, because **expectations matter** – sometimes to a greater degree than fundamentals. Regardless of how many empirically objective advantages and fundamentals an economy may have, if its participants and institutions are already convinced that that economy possesses few advantages, and is already in decline, a **self-fulfilling prophecy** inevitably emerges: those participants and institutions disinvest, and economic decline indeed occurs.

The question we must now ask is, **what will happen in the next ten to fifteen years?** If businesses continue to receive these economic and tax benefits, but without contributions comparable to other states that are performing better than Connecticut, what will happen to their competitive advantages and the state's quality of life in the long-run? What will happen to the state's strong economic fundamentals in the long-run?

Austerity and disinvestment not only diminish these fundamentals, and therefore Connecticut's competitive standing against other states, but also the high quality of life that has taken decades to establish. These are the losses that Connecticut's businesses and wealthy residents should ultimately fear – ***not a more equitable tax structure.***

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