

Two Tales of Connecticut

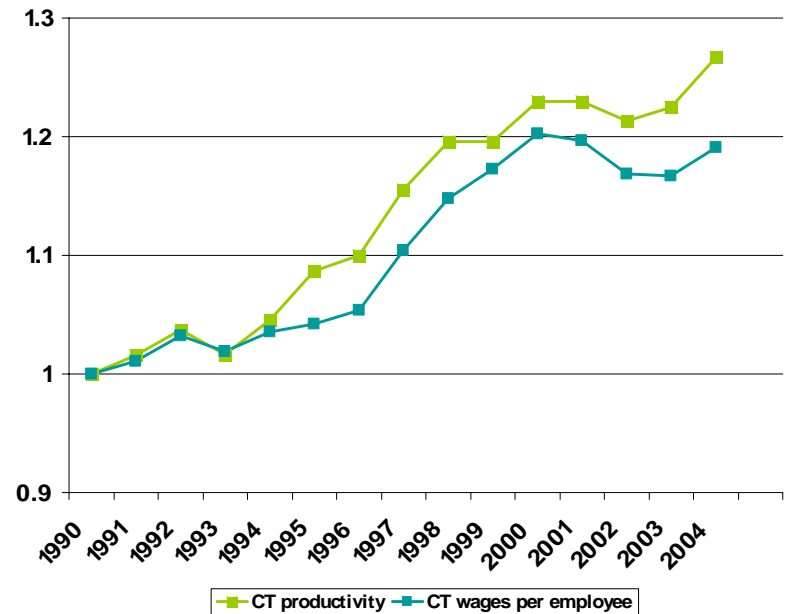
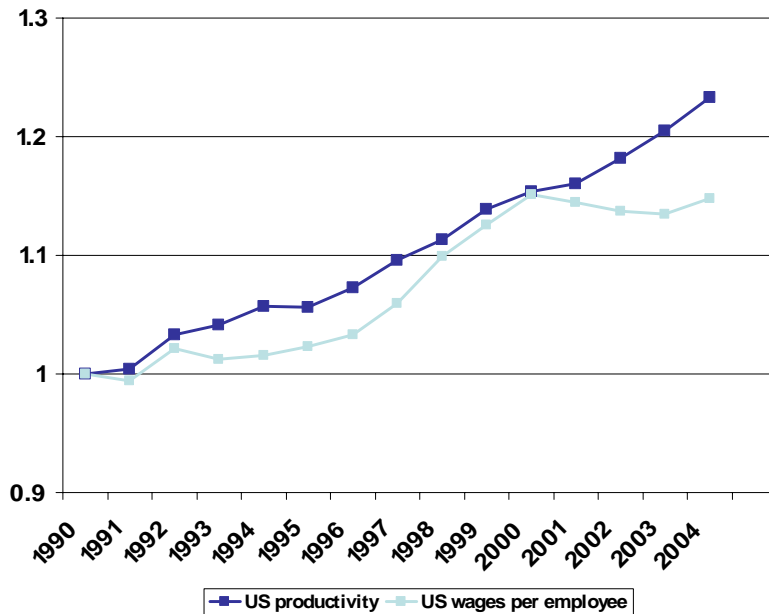
presented to the
Benchmarking Connecticut 2006 Conference

Robert Tannenwald
Director, New England Public Policy Center
Federal Reserve Bank of Boston
600 Atlantic Ave
Boston, MA 02210
robert.tannenwald@bos.frb.org
November 30, 2006

The views presented in this presentation are not necessarily those of the Federal Reserve Bank of Boston or the Board of Governors of the Federal Reserve System

Tale 1: All Is Well In the Nutmeg State

People in Connecticut earn more, but employers get their money's worth—and more



It costs more in Connecticut, but
people earn more

INDICES, PRICE AND INCOME LEVELS, SELECTED METRO AREAS, 2003

U.S. Mean = 100

Metro Area	CPI	Mean AGI	AGI -CPI
Boston	1.23*	1.20	-0.03
New York City	1.29	1.35	0.06
New York Suburbs	1.30	1.49	0.19
San Francisco	1.37	1.48	0.11
Chicago	1.04	1.18	0.14
Houston	0.94	1.03	0.09
Atlanta	0.93	1.14	0.21
Cincinnati	0.86	0.90	0.04

Source: Presenter's calculations and Betina H. Aten, "Inter-area Price Levels: an Experimental Methodology", U.S. Bureau of Labor Statistics, Monthly Labor Review, September 2006, pp. 47-61.

*Medical component (6% of total) omitted.

Inequality in NE states is lower than in the US as a whole (Although MA and CT have the most inequality in the region)

Ratio of average income :	top quintile to bottom quintile	top quintile to middle quintile	top 5% to bottom quintile
Connecticut	6.9	2.5	11.0
Maine	6.5	2.3	10.3
Massachusetts	7.3	2.5	11.8
New Hampshire	6.0	2.4	9.8
Rhode Island	6.8	2.4	10.6
Vermont	6.0	2.3	9.4
United States	7.3	2.6	12.0

True, income inequality is on the rise in the US and New England.....

Ratio of average income of the top quintile to the average income of the bottom quintile

	early 1980s	early 1990s	early 2000s
Connecticut	4.7	5.2	6.9
Maine	4.7	5.4	6.5
Massachusetts	4.8	6.7	7.3
New Hampshire	4.6	5.4	6.0
Rhode Island	4.7	5.9	6.8
Vermont	4.4	5.1	6.0
United States	5.5	6.7	7.3

However, forces far beyond the control of state and local government are responsible

- Global competition from China, India, and other developing nations
- “The World is Flat” argument
- Returns to education (and that helps Connecticut)

Connecticut Isn't Such a High-Cost State

- Business costs aren't so high
- Contrary to widespread belief, overall tax burdens are actually low
- Business taxes are relatively low
- Business taxes are a small share of the total costs of doing business

Business tax burdens in CT are relatively low, though some competitor states are lower.

State	Business tax burden as a % of business profits	Rank
Connecticut	32.5	40
Maine	40.5	13
Massachusetts	27.5	49
New Hampshire	35.9	25
Rhode Island	43.2	10
Vermont	42.5	11
Georgia	30.7	43
New York	38.8	15
North Carolina	26.9	50
US	35.8	

Tale 2: Connecticut Beware

If all is well in Connecticut, why are
so many people moving away?

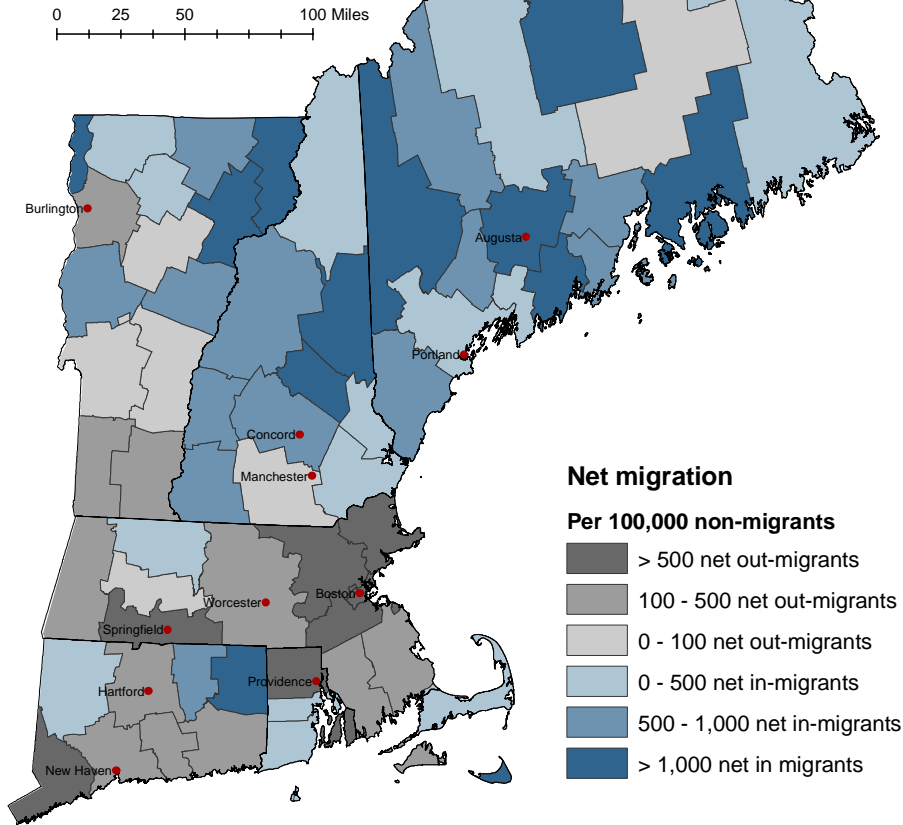
Net migration per 100,000 non-migrants 2003-2004

Gray represents a net population loss from migration.

Blue represent a net population gain from migration.

Data values are per 100,000 county non-migrants.

Source: 2003-2004 County to County Migration Flows
Based on IRS Tax Exemptions



- On the whole, most counties in Connecticut and Massachusetts lost population to migration.

Source: Internal Revenue Services' 2003-2004 County-to-County Migration Flows

Net migration within the New England region 2003-2004

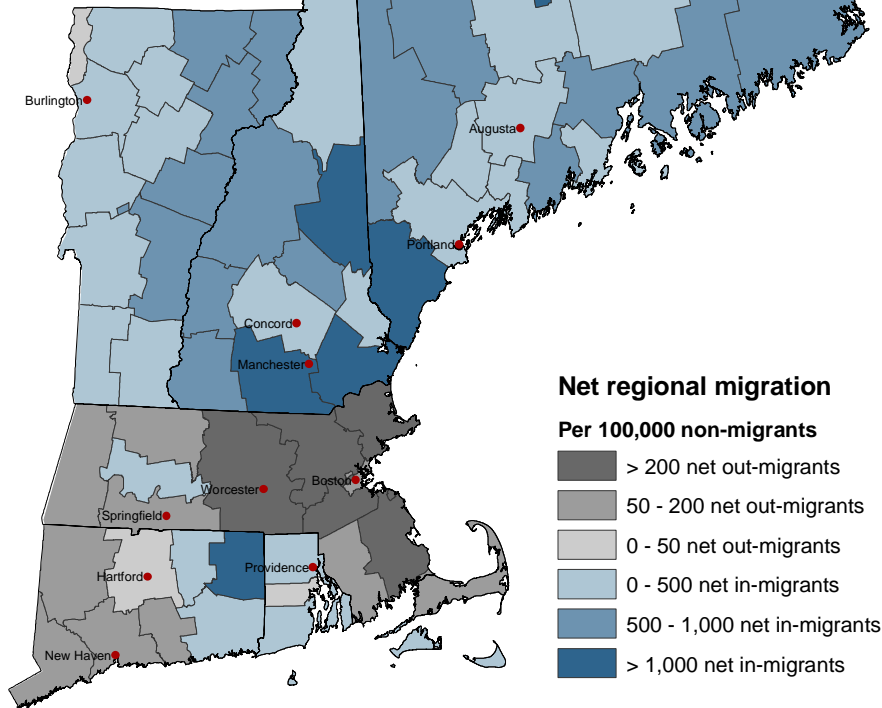
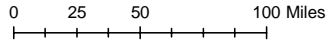
Gray represents a population loss from the shaded county to other New England states.

Blue represents a population gain to the shaded county from other New England states.

Data values do not include migration within the same state.

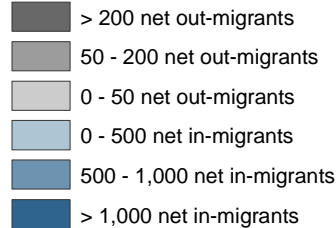
Data values are per 100,000 county non-migrants.

Source: 2003-2004 County to County Migration Flows Based on IRS Tax Exemptions



Net regional migration

Per 100,000 non-migrants



- Western Connecticut and Massachusetts residents migrated to northern New England and...

Source: Internal Revenue Services' 2003-2004 County-to-County Migration Flows

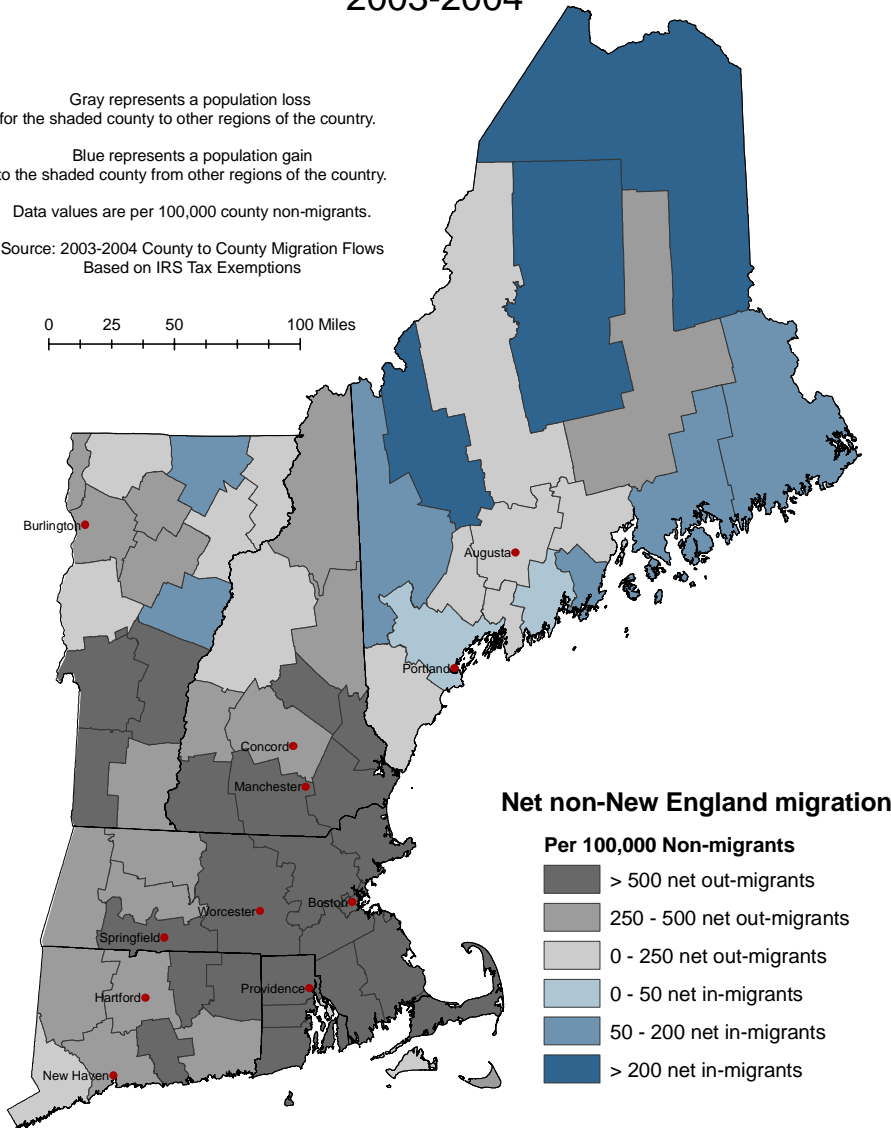
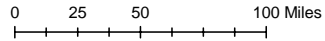
Net domestic migration outside of New England 2003-2004

Gray represents a population loss for the shaded county to other regions of the country.

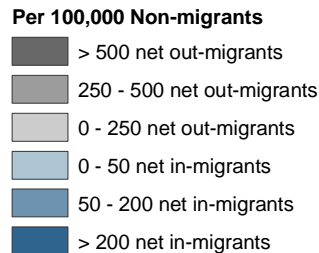
Blue represents a population gain to the shaded county from other regions of the country.

Data values are per 100,000 county non-migrants.

Source: 2003-2004 County to County Migration Flows Based on IRS Tax Exemptions



Net non-New England migration



- ... all of southern New England and New Hampshire lost residents to the rest of the nation.

Source: Internal Revenue Services' 2003-2004 County-to-County Migration Flows

Forget the overall cost of living.
It's the house that people want—
especially skilled workers

CONSUMER PRICE AND AGI INDICES FOR SELECTED METRO AREAS, 2003

U.S. Mean = 1.00

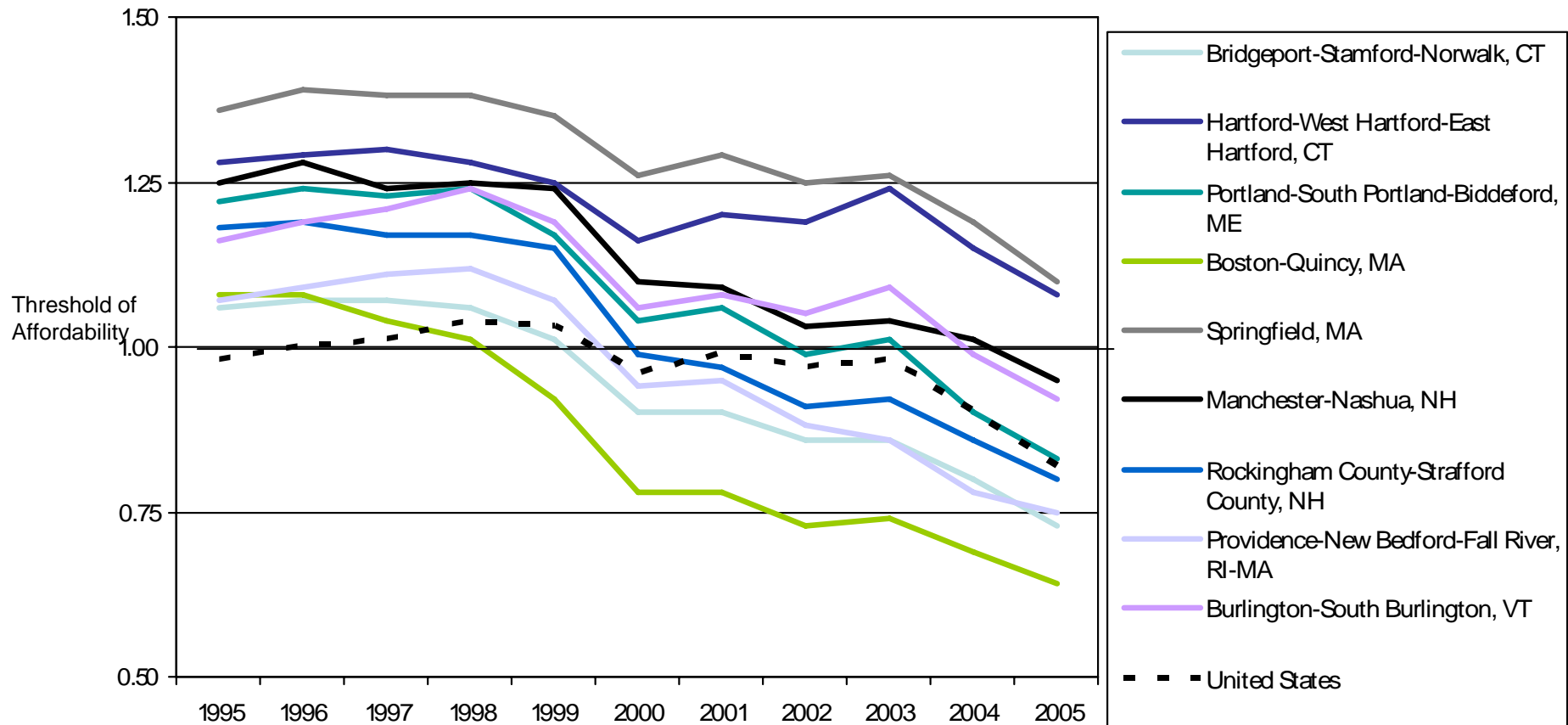
<u>Metro Area</u>	<u>CPI</u>	<u>Housing (42% of total)</u>	<u>Owner-occupied housing</u>	<u>Mean AGI</u>	<u>AGI -Owner occupied index</u>
Boston	1.23*	1.32	1.45	1.20	-0.25
New York City	1.29	1.44	1.57	1.35	-0.22
New York Suburbs	1.30	1.38	1.60	1.49	-0.11
San Francisco	1.37	1.70	1.92	1.48	-0.44
Chicago	1.04	1.01	1.02	1.18	0.16
Houston	0.94	0.89	0.85	1.03	0.18
Atlanta	0.93	0.92	0.89	1.14	0.25
Cincinnati	0.86	0.77	0.72	0.90	0.18

Source: Presenter's calculations and Betina H. Aten, "Inter-area Price Levels: an Experimental Methodology", U.S. Bureau of Labor Statistics, Monthly Labor Review, September 2006, pp. 47-61.

*Medical component (6% of total) omitted.

Home ownership for middle income households in metropolitan areas in New England has become more of stretch over the past decade.

Ratio of Real Annual Median Household Income to Real Annual Income Needed to Afford the Median-Priced House "Middle-Income" Households

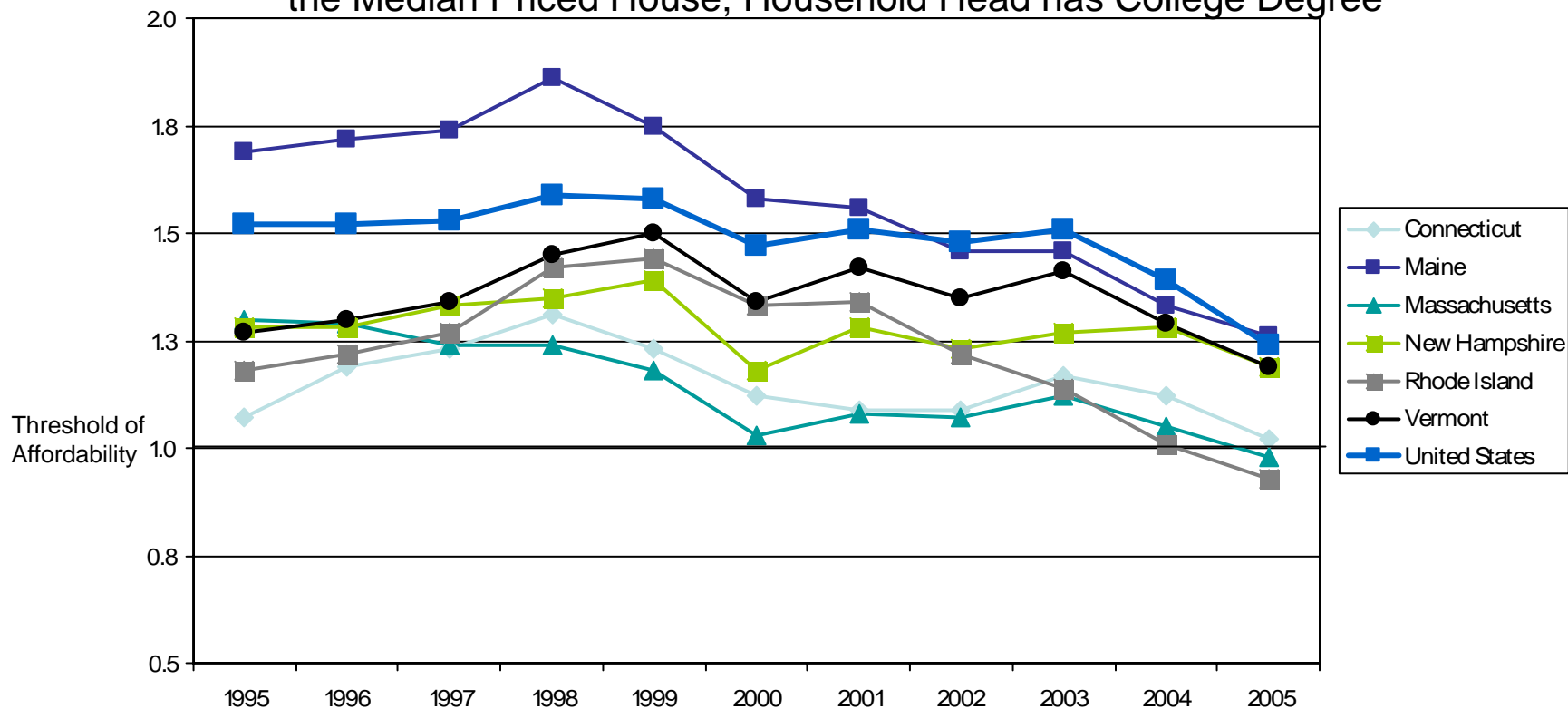


Notes: Annual median household income are calculated from the 1990 and 2000 Census and interpolated between Census years for households where the head is age 25+ and is not enrolled in school, adjusted to \$2005 using the CPI-U.

Annual median income needed to purchase the median priced house are based on quarterly and annual house prices as reported by the National Association of Home Builders as well as state housing agencies (Maine and Vermont), adjusted by the OFHEO index and deflated by the CPI-U less shelter. "Middle-income" households are those that fall into the 3rd quintile of the income distribution.

In the three southern New England states, even professionals can not afford, or can barely afford, the median priced house

Ratio of Real Annual Median Household Income to Real Annual Income Needed to Purchase the Median Priced House; Household Head has College Degree

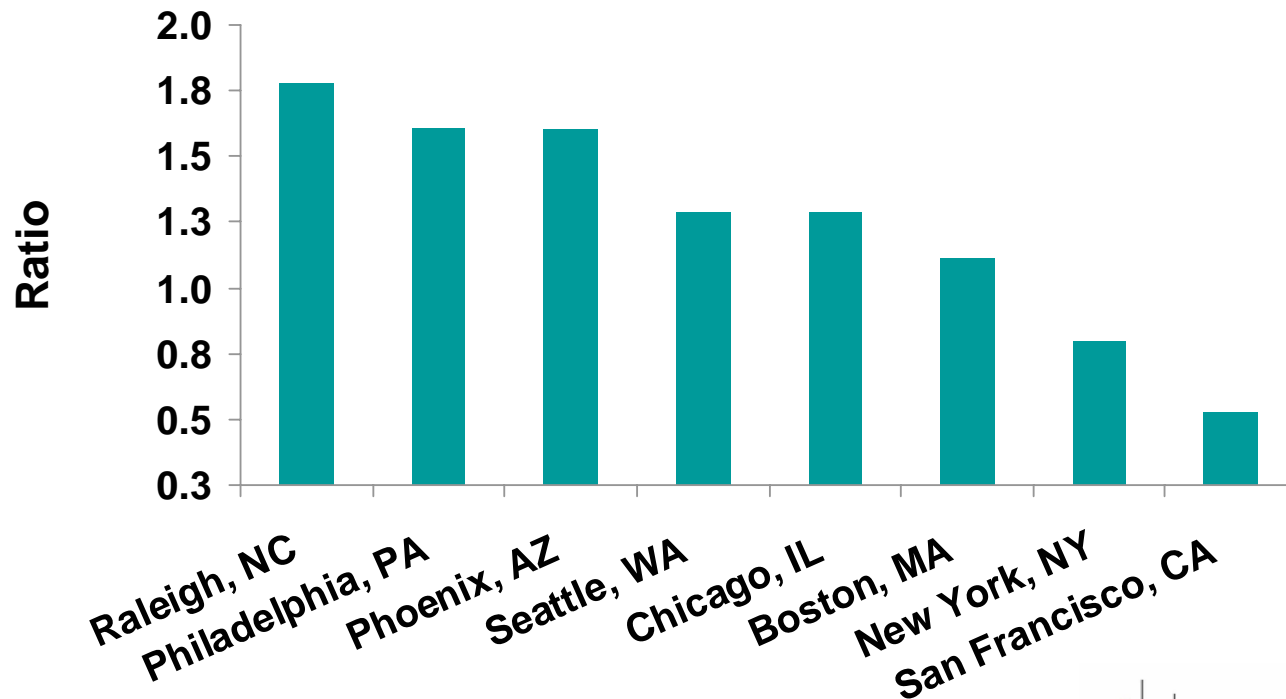


Notes: Annual median household income are three-year moving averages as calculated from the Current Population Survey for households where the head is age 25+, not enrolled in school, and has a college degree, adjusted to \$2005 using the CPI-U.

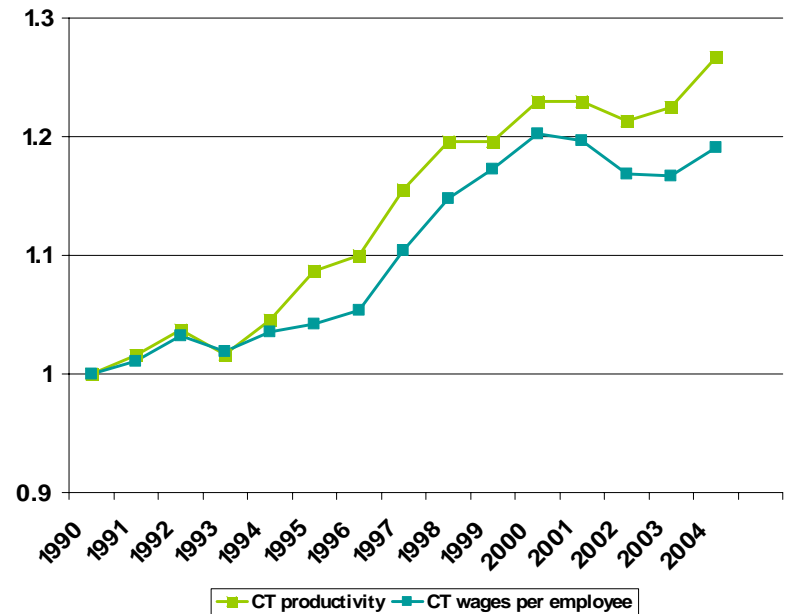
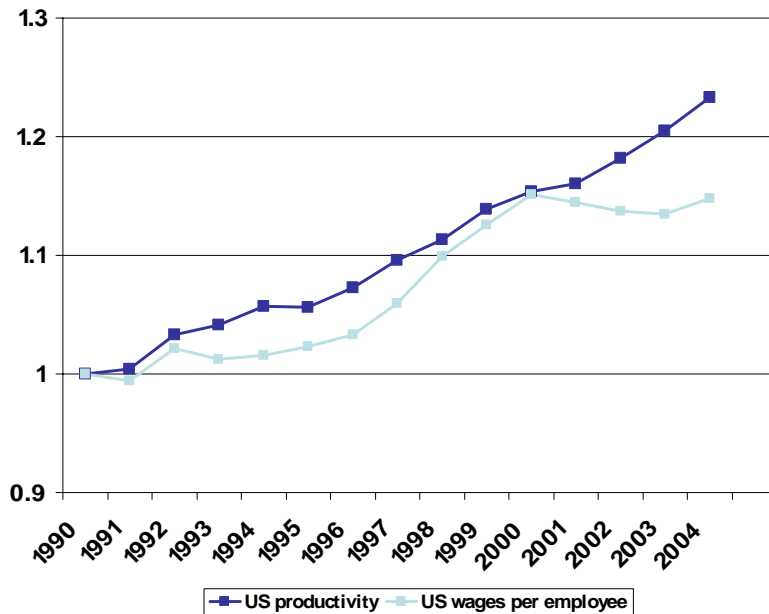
Annual median income needed to purchase the median priced house are based on annual house prices as reported by the Federal Home Finance Bureau, adjusted by the OFHEO index and deflated by the CPI-U less shelter.

A professional household can get a lot more house outside of New England

Ratio of Median Income to Income Needed to Purchase the Median-Priced House, 2004
Households Headed by A College Graduate,



The danger of comparing Connecticut to national averages....



Public higher education investment in NE lags competitor states and tuition is higher at public universities

	Appropriations per student (full time equivalent) (2006)	Average tuition at 4-year public university (2006)	Percent of high school seniors going directly to college (2004)	Projected % change in # of high school graduates 1999-2010
Connecticut	\$5,862	\$6,710	61.1	3
Maine	\$4,710	\$6,030	49.6	-16
Massachusetts	\$2,477	\$7,307	63.4	1
New Hampshire	\$1,993	\$8,499	55.4	-8
Rhode Island	\$2,640	\$6,343	55.6	6
Vermont	\$2,476	\$9,239	43.4	-18
California	\$5,372	\$4,447	43.7	8
New York	\$4,504	\$4,995	67.9	-5
New Jersey	\$6,673	\$8,664	62.8	14
North Carolina	\$7,577	\$3,645	64.3	30

Competitor states are investing heavily in higher education including North Carolina


- o College Foundation of North Carolina
 - o Main goal is to increase the college-going rate of NC students, particularly 1st generation
 - o Public-private partnership
 - o Web-site is a one-stop shop for high school students to plan, apply, and pay for college
 - o College going rate increased 9% in 5 years!

CFNC - Welcome - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites History Mail Print Edit Discuss

Address http://www.cfnc.org/ Go



College Foundation
of North Carolina

Helping You Plan, Apply, and Pay for College

My CFNC

Career Center

Student Planner

College Fair

Online Applications

Paying for College

College Savings Program

Log Into My CFNC

Create My CFNC


Search CFNC & Campus Sites


Contact CFNC

About CFNC

CFNC en español

- » Adult Learner
- » Financial Aid Administrator
- » GEAR UP NC
- » School Counselor
- » College Redirection
- » Downloadable Resources
- » SAT, ACT Test Prep





»» Apply for middle school summer scholarship

Search for college scholarships

Apply to NC colleges and universities

Register for CFNC Events

We believe every student should have the opportunity to go to college. Use the tabs above, the links to the left or the links below to access all CFNC has to offer.

<p>High School Planner Track grades, honors, test scores and more. »» Learn more</p>	<p>Test Preparation Use FREE test preparation for the SAT, ACT and more. »» Learn more</p>	<p>Calculators Plan your loan needs and repayment. »» Learn more</p>	<p>Apply for Loans Complete a MPN for a student or parent loan. »» Learn more</p>
<p>Career Key Find careers that fit your interests and personality. »» Learn more</p>	<p>Apply for Admission Apply to NC colleges and universities. »» Learn more</p>	<p>Scholarships Search for scholarships available for NC students. »» Learn more</p>	<p>Repayment Wizard Find help repaying your education loan. »» Learn more</p>
<p>Campus Tours Explore more than 100 NC colleges and universities. »» Learn more</p>	<p>Transcript Manager Submit your high school transcript electronically. »» Learn more</p>	<p>National College Savings Plan Start saving now! »» Learn more</p>	<p>Forms for Current Borrowers Access automatic withdrawal, deferment, forbearance and other forms. »» Learn more</p>

What's the “Solution”?

- Greater civic engagement by business leaders (example, Massachusetts’ John LaWare forum)
- Regional Cooperation
 - Energy
 - Transportation
 - Health
 - Education

New England Public Policy Center

Federal Reserve Bank of Boston

600 Atlantic Avenue

Boston, MA 02210

617-973-4257

neppc@bos.frb.org

<http://www.bos.frb.org/economic/neppc/>