POVERTY IN THE U.S. AND CONNECTICUT, 2019-2023 | EXECUTIVE SUMMARY

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CONNECTICUT VOICES FOR CHILDREN

Executive Summary

A landmark 2019 report on child poverty by the National Academies of Sciences, Engineering, and Medicine concluded that "a child growing up in a family whose income is below the poverty line experiences worse outcomes than a child from a wealthier family in virtually every dimension, from physical and mental health, to educational attainment and labor market success, to risky behaviors and delinquency." The report also found that the "weight of the causal evidence indicates that income poverty itself *causes* negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child's life."

To help address this critical issue, the U.S. Census Bureau releases annual national estimates of poverty for the total population and key demographic groups using two measures: the Official Poverty Measure (OPM) and the Supplemental Poverty Measure (SPM). The Census Bureau also provides annual national estimates of the impact of major public benefits and nondiscretionary expenses on poverty. At the state level, however, the Census Bureau's primary annual publication on poverty only includes three-year average estimates for SPM-based poverty overall, with no demographic breakdowns or estimates of the impact of public benefits and expenses on poverty.

Considering the importance of child poverty and the gaps in state-level data, this report has three primary objectives. The first objective is to explain the different data sources available for measuring poverty, the distinctions between the OPM and SPM, and the lack of state-level SPM-based poverty estimates to date.

The second objective is to provide an extensive empirical overview of poverty in Connecticut, building on the annual national analysis that the Census Bureau provides. This includes providing poverty and near poverty estimates overall and for key demographics for the two primary measures of poverty, and it also includes providing estimates of the impact of major public benefits and nondiscretionary expenses on SPM-based poverty. This information is essential for policymakers addressing issues such as income security, taxation, housing, food security, child care, health care, and more.

The third objective is to provide detailed policy options to reduce poverty in Connecticut, especially for children. While it is possible to expand or improve many existing federal and state programs that play a critical role in reducing poverty—such as Social Security, tax credits, food assistance, and housing subsidies—the policy options presented here focus specifically on establishing a Connecticut Child Tax Credit.

To achieve these objectives, the report proceeds in five sections. The first section provides an overview of the two data sources: public use microdata sample files from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC) and the American Community Survey Supplemental Poverty Measure (ACS SPM).

The second section provides an overview of the differences between the OPM and SPM as well as the methodological differences in the development of the SPM in the CPS ASEC and ACS SPM datasets. The key finding is:

- Compared to the Official Poverty Measure (OPM), the Supplemental Poverty Measure (SPM) provides a more accurate assessment of poverty by improving two key components: the *poverty threshold measure* incorporates updated spending costs on essential items and varies based on location and housing status; and the *resource measure* incorporates cash and noncash benefits as well as necessary expenses like taxes, medical costs, and work-related transportation and child care.

The third and fourth sections provide parallel overviews of poverty using both poverty measures and the two data sources. Specifically, the third section provides an overview of poverty in the U.S. and Connecticut using CPS ASEC data, and the fourth section provides an overview of poverty in Connecticut using ACS SPM data. As explained in more detail in the report, CPS ASEC data are primarily designed for national-level estimates and are available for all years from 2019 to 2023, whereas ACS SPM data are primarily designed for state-level (and sub-state-level) estimates and are currently only available for the years 2019, 2021, and 2022. The parallel overview in these sections proceeds in two parts and allows readers to focus on the data most useful to them while also considering the strengths and limitations of each data source.

The first part of the third and fourth sections provides estimates of poverty and near poverty. For the estimates of poverty, the key findings for the U.S. (using CPS ASEC data) and Connecticut (using ACS SPM data) are:

- In the U.S., the SPM-based poverty rate in 2023 was 12.9 percent (43 million people), up from a low of 7.8 percent (25.5 million people) in 2021, and higher also than the rate of 12.4 percent (41 million people) in 2022. For children, the SPM-based poverty rate in 2023 was 13.8 percent (10 million children), up from a low of 5.2 percent (3.8 million children) in 2021, and higher also than the rate of 12.4 percent (9 million children) in 2022.

- In Connecticut, the SPM-based poverty rate in 2022 was 12.1 percent (423,200 people), up from a low of 8.4 percent (294,400 people) in 2021. For children, the SPM-based poverty rate in 2022 was 11.6 percent (84,440 children), up from a low of 6.8 percent (49,430 children) in 2021.

For the estimates of near poverty, the key findings for the U.S. (using CPS ASEC data) and Connecticut (using ACS SPM data) are:

- In the U.S. in 2023, the SPM-based near poverty rate was 14.8 percent (49.1 million people), bringing the total population living in poverty or near poverty to 27.7 percent (92.1 million people). For children, the SPM-based near poverty rate was 19.1 percent (13.9 million children),

bringing the total child population living in poverty or near poverty to 32.9 percent (23.9 million children).

- In Connecticut in 2022, the SPM-based near poverty rate was 13 percent (457,530 people), bringing the total population living in poverty or near poverty to 25.1 percent (880,720 people). For children, the SPM-based near poverty rate was 16.8 percent (122,440 children), bringing the total child population living in poverty or near poverty to 28.4 percent (206,880 children).

The second part of the third and fourth sections provides estimates of the impact of major public benefits and nondiscretionary expenses on poverty. The key findings for the U.S. (using CPS ASEC data) and Connecticut (using ACS SPM data) are:

- In the U.S. in 2023, the public benefits that lifted the most people out of poverty were Social Security (27.6 million people), the federal income tax when including refundable tax credits (5 million people), and food assistance programs (4.5 million people). The largest contributors to poverty were medical expenses (7.4 million people), federal payroll taxes (4.6 million people), and work expenses (3.8 million people).

- In Connecticut in 2022, the public benefits that lifted the most people out of poverty were Social Security (218,730 people), food assistance programs (51,630 people), and housing subsidies (51,160 people). The largest contributors to poverty were medical expenses (81,700 people), federal payroll taxes (39,320 people), and work expenses (36,870 people).

The fifth section provides policy options for establishing a Connecticut Child Tax Credit (CT CTC) to reduce poverty. The first part outlines key design features of a CT CTC and the key finding is:

- To provide the most support for families and children in poverty and near poverty, a CT CTC would include the following key design features: full refundability, no income floor, no income-based phase-in, and no cap on the number of children.

The second part presents three policy options, all of which are modeled using ACS SPM data and cost close to $300 million a year. The key finding is:

- The most well-designed of the three CT CTC options would provide support for up to 591,480 children (81.2 percent) and 1.3 million people in total (36.8 percent), including up to 84,440 children in poverty (100 percent) and 122,440 children in near poverty (100 percent).