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Press Contact:  
Scott Downes 303-621-5595

## **NEW STUDY: Income gap growing in Colorado** **Incomes of rich are rising faster than low- and middle-income families**

Denver, CO—A groundbreaking national study, *Pulling Apart: A state-by-state analysis of income trends*, released today shows that the income gap in Colorado is rapidly growing. The study, authored by the Center on Budget and Policy Priorities (CBPP) and the Economic Policy Institute (EPI), reveals larger gaps between high-income earners and low- and middle-income families now than in previous decades.

“This study validates much of what we already suspected about income inequality,” said **Kathy White, Project Director at the Colorado Fiscal Policy Institute (COFPI)**. “Low- and middle-income families are struggling with stagnant wages, while the wealthy are seeing strong income growth.”

While Colorado ranks in the middle of the pack in terms of the income gap, there are concerning trends that show income growth among the rich far outpacing income growth among low- and middle-income families.

“Before the recent downturn hit, our economy was generating solid income gains. The problem was that high levels of inequality meant these gains failed to reach middle- and low-income families, whose living standards stagnated or even declined,” said **Jared Bernstein, senior economist at the Economic Policy Institute and co-author of the report**. “As we head into an economic downturn, these families are ill-prepared to weather the storm.”

The gap between Colorado’s richest and poorest families is the 24<sup>th</sup> highest in the nation. The gap between the richest and the families in the middle is the 21<sup>st</sup> highest in the nation. Other key findings show that the richest 20 percent of families have average incomes that are seven times larger than the poorest 20 percent. In the late 1980s, that ratio was only 5.9. Likewise, average incomes for the rich are 2.5 times higher than middle-income earners, up from 2.1 in the late 1980s.

In terms of dollar amounts, the richest fifth of families in Colorado saw their average income grow nearly ten times the amount of those in the poorest fifth, and nearly four times the amount of the middle fifth of families, since the late-1980s.

- Poorest fifth increased by \$4, 532, from \$15,809 to \$20,341 (\$267 per year)
- Middle fifth increased by \$12,485, from \$43,449 to \$55,933 (\$734 per year)
- Richest fifth increased by \$49,227, from \$92,954 to \$142,181 (\$2,896 per year)

Nationally, the longstanding trend of growing inequality accelerated since the late 1990s as incomes fell for poor families and stagnated for middle-income families in a number of states.

The report also corroborates the findings of a COFPI report released last month showing how families are facing stagnating wages and rising costs across the board, particularly in terms of food prices, health care costs, and child care expenses. [*Link to report below*]

State policymakers can address the growing income gap by looking at comprehensive economic policies that can strengthen opportunities for low- and middle-income earners, protect families from economic downturns with a strong safety net and work supports, and increasing people's wages. Some of those may include:

- Creating a fairer tax system by implementing policies like the state Earned Income Tax Credit, as well as focusing on income tax, as opposed to sales tax and fees which adversely affect low-income communities.
- Raising the state minimum wage and index it for inflation, where not already implemented
- Updating unemployment insurance systems to better reflect today's workforce
- Extending the amount of time workers receive benefits during an economic downturn
- Maintaining or improves work supports and other public structures that aid opportunity such as transportation, child care, and health coverage

“We cannot afford to ignore growing income inequality in Colorado,” said **Rep. John Kefalas, chair of the Colorado Common Good caucus**. “We need to pursue state economic policies that improve tax fairness, income equality, and opportunity for low- and middle-income families, so we can close this gap, not broaden it.”

**CBPP/EPI's full report, press release and state fact sheets are available at:**  
[www.cbpp.org/4-9-08sfp.htm](http://www.cbpp.org/4-9-08sfp.htm).

**COFPI Executive Summary on Self-Sufficiency report**  
[http://www.cclponline.org/pubfiles/SSS2008\\_ExecSummary.pdf](http://www.cclponline.org/pubfiles/SSS2008_ExecSummary.pdf)

**COFPI Self-Sufficiency Report**  
[http://www.cclponline.org/pubfiles/SelfSufficiency08\\_FinalProof.pdf](http://www.cclponline.org/pubfiles/SelfSufficiency08_FinalProof.pdf)

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*The CBPP/EPI study, based on inflation-adjusted Census data, is one of the few to examine income inequality at the state level. The study compares combined data from 2004-2006 with data from the late 1980s and late 1990s, time periods chosen because they are comparable peaks of their respective business cycles.*