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HIGH AND WIDE: INCOME INEQUALITY GAP IN THE DISTRICT ONE OF BIGGEST IN THE U.S.

By Wes Rivers

The District of Columbia has one of the highest levels of income inequality in the country. The average income of the top 5 percent of District households is 54 times the income of the bottom 20 percent, the fourth highest level of income inequality among the 50 largest U.S. cities.¹

There are two main reasons why income inequality in the District remains so high:

- **The average income for the District's top 5 percent of households is now over half a million dollars, the highest among large U.S. cities.** In 2011, the average income of the top 5 percent of DC households exceeded \$500,000 for the first time. By 2012, the average income of this group reached \$530,000. DC is one of only three cities where the average income of the wealthiest 5 percent is above \$500,000. The average income for DC's wealthiest 20 percent — \$284,000 — is also among the highest in the country, second only to San Francisco.
- **The average income of the bottom fifth of DC households is just \$9,900.** Although DC has one of the highest costs of living among large cities, the average income of our poorest households is roughly average compared with other large cities. This income covers just 12 percent of the basic family budget (\$85,000) for a single parent with two children — the ninth worst when compared with other large cities.

This paper uses data from the U.S. Census Bureau's American Community Survey from 2006 through 2012 to examine income disparities in DC and the 49 other largest cities. (See **Appendix A** for complete list of cities).²

¹ U.S. Census Bureau. Annual Estimates of the Resident Population for Incorporated Places Over 50,000, Ranked by July 1, 2012 Population: April 1, 2010 to July 1, 2012. May 2013.

² The 50 largest cities by population includes three Census jurisdictions that include larger metropolitan government entities. These are Louisville/Jefferson County Metropolitan Government, Nashville-Davidson Metropolitan Government, and Indianapolis.

The District's Income Inequality Is One of The Highest in the Country

The average income for the District's top 5 percent is 54 times the average income of the bottom 20 percent (See **Figure 1**). This is far higher than the average for the other 49 largest cities, where the average income of the top 5 percent is 33 times the average income of the bottom 20 percent. This means that the gap in incomes between the District's wealthiest and poorest residents is two-thirds greater than in the average large city.

The District has the fourth highest level of income inequality among large cities, with only Atlanta, Boston, and Miami having greater disparities (See **Table 1**). Atlanta's gap between the top 5 percent and the bottom 20 percent is the only statistically significant gap that is larger than the District's. This means that the difference between DC, Boston and Miami was within the margins of error associated with the data.

Measuring income inequality another way, the District's top 20 percent has an average income that is 29 times higher than the average income of the bottom quintile. Among other large cities, the average income of the top 20 percent of households is 18 times the average of the bottom 20 percent. Using this measure, the District's level of inequality is third highest among large cities.

High Incomes Among the Top 5 Percent Contribute to Income Inequality

The average income of the top 5 percent of households in the District is more than \$530,000. This is the highest of any large city. Only two other cities have average incomes greater than \$500,000 for their wealthiest 5 percent — San Francisco and Atlanta. The

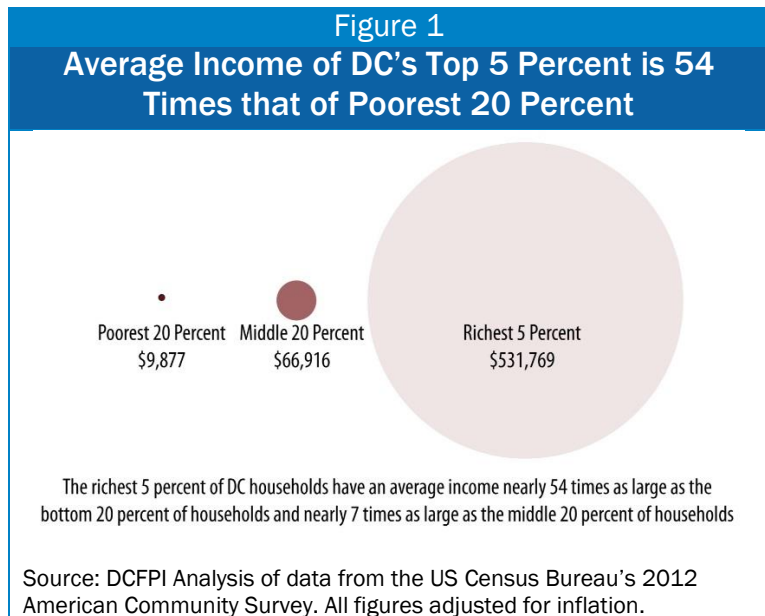


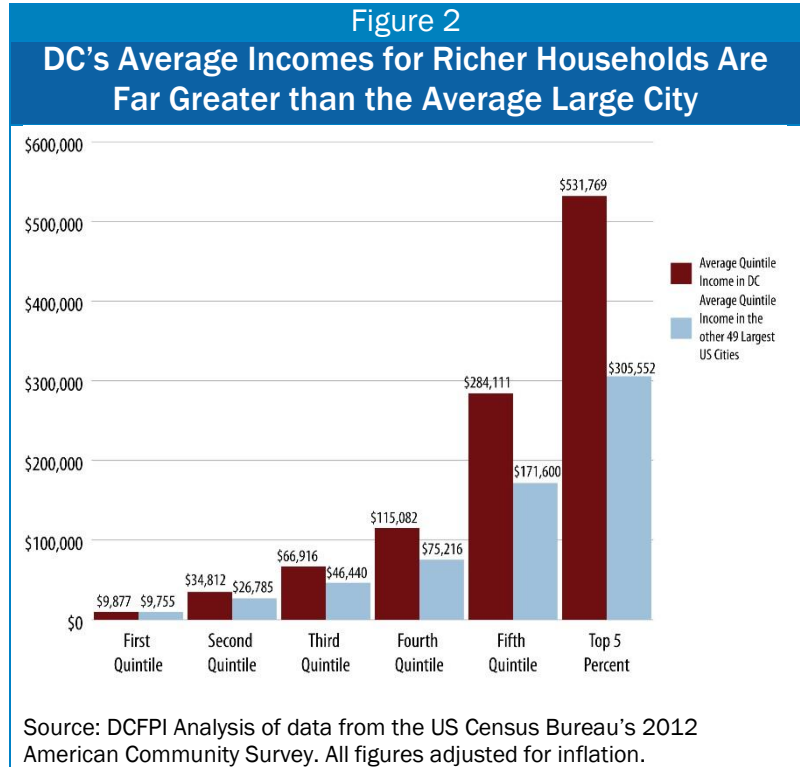
Table 1
DC Ranks 4th Highest In Income Inequality

City	Ratio of Top 5% to Bottom Quintile
1. Atlanta, GA	73.8
2. Boston, MA	60.5
3. Miami, FL	54.0
4. Washington, DC	53.8
5. San Francisco, CA	49.1
6. New York, NY	48.9
7. Chicago, IL	45.6
8. Cleveland, OH	43.2
9. Detroit, MI	41.5
10. Dallas, TX	40.4
Less Unequal Cities	
46. Fort Worth, TX	22.8
47. Colorado Springs, CO	21.9
48. Arlington, TX	20.5
49. Mesa, AZ	20.2
50. Virginia Beach, VA	17.4

Source: DCFPI Analysis of data from the US Census Bureau's 2012 American Community Survey. All figures adjusted for inflation.

District’s wealthiest residents have incomes 75 percent larger than the average among other large cities — where the top 5 percent have average income of \$305,000 (See **Figure 2**). Examining other East coast cities, the District’s highest-income households average almost \$100,000 more than their counterparts in New York, \$125,000 more than counterparts in Boston, and \$275,000 more than counterparts in Philadelphia.

These figures reflect that the District’s economy has outperformed other parts of the country and led to economic prosperity for many of those at the top of the income distribution. However, the prosperity is not evenly shared, as the District’s bottom quintile is far more modest compared to other cities.



The District’s Bottom Quintile Averages Less than \$10,000 in Income

The average income for a household in the bottom quintile is \$9,900. Average income of DC’s poorest is roughly the same as in the average large city — \$9,800.

A quarter of the largest US cities have average incomes for the bottom 20 percent of \$11,000 or more, meaning the District’s low-income households would need an increase of more than 10 percent to be as well off as similar households in those cities. If the gap in incomes between the top 5 percent and the bottom 20 percent were to equal that of the average large city, the District would need to raise the average income at the bottom from \$9,900 to \$15,000.

The average income of the bottom fifth of DC households covers just 12 percent of what is needed for the basic family budget for one parent with two children — \$85,019. The basic family budget is what is needed to cover basic necessities such as food, housing, transportation, and child care without assistance.³ The share of the basic family budget covered by the average income in the bottom fifth of DC households is lower than in all but eight cities.

³ See Economic Policy Institute’s Basic Family Budget calculator, available at: <http://www.epi.org/resources/budget/>

DC Should Take Steps to Close the Gap

Income inequality in the District is significantly larger when compared to other cities and has remained that way over the last six years. Economic growth in DC has helped make the District's top 5 percent of households the wealthiest in the country. However, the District's poorest residents have far more modest incomes relative to similar households in other large cities, and the District's high cost of living makes it difficult for these residents to remain in the city and thrive economically.

Making work pay and taking steps to help bridge the gap between the high cost of living and low wages for low-income residents will help increase economic mobility and lessen inequality. Policy proposals such as an expanded Earned Income Tax Credit and higher personal exemptions and standard deductions in the income tax can help low-income residents take home more of what they earn. Investing in training programs to help close literacy and skills gaps can help residents obtain some of the jobs the District is creating. Lastly, expanding the supply of affordable housing stock, better access to subsidized health insurance, and other supports for low-income residents will help alleviate the high costs associated with living in a large city and help preserve the economic diversity of DC.

Appendix A

City	Bottom 20	Top 5 Percent Mean Income	Ratio Top 5%		Ratio Top 20%	
	Percent Mean Income		to Bottom 20%	Rank	to Bottom 20%	Rank
Atlanta, GA	7,123	525,894	73.8	1	35.7	1
Boston, MA	6,723	406,785	60.5	2	32.4	2
Miami, FL	5,540	298,956	54.0	3	26.9	5
Washington, DC	9,877	531,769	53.8	4	28.8	3
San Francisco, CA	10,572	519,542	49.1	5	27.5	4
New York, NY	8,933	436,931	48.9	6	24.9	6
Chicago, IL	8,004	365,228	45.6	7	24.1	8
Cleveland, OH	4,175	180,445	43.2	8	23.8	9
Detroit, MI	3,848	159,587	41.5	9	24.5	7
Dallas, TX	9,204	371,834	40.4	10	20.5	14
Los Angeles, CA	9,334	375,379	40.2	11	21.5	12
Houston, TX	9,390	371,864	39.6	12	20.7	13
Oakland, CA	9,540	373,363	39.1	13	21.9	10
Philadelphia, PA	6,622	256,868	38.8	14	21.6	11
Memphis, TN	6,735	252,406	37.5	15	20.3	15
Tulsa, OK	9,106	328,868	36.1	16	18.9	20
Kansas City, MO	8,442	297,620	35.3	17	18.9	18
Charlotte, NC	11,522	402,069	34.9	18	18.1	22
Minneapolis, MN	9,070	315,590	34.8	19	19.7	17
Denver, CO	10,650	370,391	34.8	20	18.9	19
Baltimore, MD	7,293	248,927	34.1	21	20.3	16
Seattle, WA	12,871	422,607	32.8	22	18.1	21
Austin, TX	11,064	360,165	32.6	23	18.0	23
Portland, OR	10,378	317,788	30.6	24	17.5	24
Oklahoma City, OK	10,132	301,185	29.7	25	15.9	33
Sacramento, CA	9,415	275,358	29.2	26	17.3	25
Indianapolis, IN	8,368	242,020	28.9	27	16.9	28
Long Beach, CA	10,120	292,374	28.9	28	17.0	26
El Paso, TX	8,886	256,610	28.9	29	16.3	30
Fresno, CA	8,462	243,774	28.8	30	16.9	27
Louisville/Jefferson County, KY	9,230	260,115	28.2	31	16.2	31
Tucson, AZ	7,412	208,440	28.1	32	16.6	29
Nashville-Davidson, TN	10,007	271,572	27.1	33	15.4	36
Jacksonville, FL	9,258	250,293	27.0	34	15.9	34
Phoenix, AZ	9,646	258,484	26.8	35	16.0	32
San Diego, CA	13,405	357,847	26.7	36	15.8	35
San Antonio, TX	9,858	255,033	25.9	37	15.3	37
Milwaukee, WI	7,618	190,170	25.0	38	15.2	39
Columbus, OH	8,864	219,058	24.7	39	15.3	38
Albuquerque, NM	10,026	246,522	24.6	40	15.1	40
Omaha, NE	10,971	268,269	24.5	41	13.9	43
Las Vegas, NV	11,755	285,892	24.3	42	13.7	45
Raleigh, NC	13,141	315,450	24.0	43	14.0	42
Wichita, KS	11,014	263,124	23.9	44	13.6	46
San Jose, CA	16,616	379,799	22.9	45	14.5	41
Fort Worth, TX	11,481	261,276	22.8	46	13.8	44
Colorado Springs, CO	12,717	278,324	21.9	47	13.2	47
Arlington, TX	13,689	280,107	20.5	48	12.1	49
Mesa, AZ	11,831	238,962	20.2	49	12.4	48
Virginia Beach, VA	17,947	312,886	17.4	50	10.4	50

Source: DCFPI Analysis of 2012 US Census American Community Survey.