IMPACT OF CONNECTICUT’S MINIMUM WAGE INCREASE ON ACCESS TO BENEFITS FOR WORKING FAMILIES

JUST FACTS

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In 2019, Connecticut lawmakers passed a bill raising the state minimum wage to $15 per hour by 2023. This policy is a step towards closing the productivity-pay gap that developed in the 1970’s and that contributes to hardworking families struggling financially. In combination with public benefit programs that help meet families’ basic needs, increasing the minimum wage may decrease the poverty rate, reduce racial and ethnic wage inequities in Connecticut’s workforce, and help families move toward economic stability.

State and federal programs use income measures to determine family eligibility for public benefit programs. At times, small increases in income can lead to abrupt decreases in families’ access to public benefits—namely, benefits cliffs.

Benefits cliffs undermine the intent of raising Connecticut’s minimum wage. They can:
- increase financial burdens on families,
- keep people from participating in the workforce,
- slow economic growth,
- and harm Black and Latinx communities.

This report models the interaction between Connecticut’s rising minimum wage and eligibility limits for:
- food assistance (SNAP),
- healthcare (HUSKY health),
- early child care (Care 4 Kids),
- and housing (focusing on the Housing Choice Voucher Program [HCVP] and Project-Based Section 8 apartments.)

The programs modelled are a subset of Connecticut’s public benefit programs. We encourage policymakers to consider the entire array of programs when addressing benefits cliffs.
IMPACTS ON A SINGLE PARENT WITH TWO CHILDREN

- By 2023, a single parent working full-time at minimum wage will earn $667 more every month.
- This parent will need to spend $27 more per month on early child care.
- This parent will need to spend $142 more per month on food.
- This parent will need to spend $192 more per month on housing.
- Overall, 54 percent of this parent’s increased earnings will go toward increased early child care, food, and housing costs.
- After accounting for benefits cliffs, a single-parent working full-time at minimum wage will only bring home $306 in net income that can be used to increase family economic security.

IMPACTS ON A TWO-PARENT FAMILY WITH TWO CHILDREN

- By 2023, two parents working full-time at minimum wage will earn $1,333 more every month.
- These parents will need to spend $180 more per month on early child care.
- These parents will need to spend $346 more per month on housing.
- These parents will need to spend a minimum of $196 more per month on healthcare.
- These parents could spend up to $1,112 more per month on healthcare.
- A minimum of 54 percent of these parents’ increased earnings will go toward increased early child care, housing, and healthcare costs.
- Two parents working full-time at minimum wage will only bring home a maximum of $612 in monthly net income that can be used to increase family economic security.
- If a family with two parents working full-time at minimum wage has additional medical needs, monthly costs to offset benefits reductions could exceed additional income by $305.
- In 2022, when the family’s wages increase beyond 200 percent of the Federal Poverty Level, they will earn $4000 more than they did in 2021 but could incur up to $8,721 in losses if they reach their healthcare cap.
- If a family with two parents working full-time at minimum wage cannot access early child care or housing benefits, their costs of living can exceed the family’s income.

Families earning minimum wage are likely to feel the steepest benefits cliffs in healthcare costs. Families with two parents working for minimum wage will face steeper benefits cliffs than single-parent families. Small income raises risk putting two-parent families over 200 percent of the Federal Poverty Level, at which point they can no longer receive the federal and state Earned Income Tax Credit (EITC). These families may also face steep benefits cliffs if they lose access to HUSKY A healthcare for their children or experience a rise in parents’ healthcare cost-sharing cap. If two-parent families work even 22 hours more in a year, they risk being unable to access Care 4 Kids as first-time applicants and moving to a higher bracket where they must contribute 10 percent of their gross income if they already receive care.
POLICY RECOMMENDATIONS

Help parents smoothly transition out of benefits programs.
• Consider public benefit programs holistically to align eligibility levels, and implement more gradual phase-outs for benefits.
• Increase time for reporting requirements and/or loss of benefits through income disregards when redetermining benefits or through guaranteeing continuous eligibility for a six- to twelve-month period.

Increase access to affordable healthcare for parents and children.
• Raise HUSKY A eligibility for parents back to 201 percent of the Federal Poverty Level and adjust cost-sharing options on the Health Insurance Marketplace accordingly.
• Restore and expand continuous enrollment for HUSKY.

Improve access to affordable early child care assistance.
• Increase eligibility and reduce co-payments for Care 4 Kids.
• Expand access to Care 4 Kids.
• Offer universal access to early child care.

Expand SNAP eligibility to improve food security.
• Raise gross income limits for SNAP to 200 percent of the Federal Poverty Level.

Redress Connecticut’s regressive tax system to improve family economic security.
• Raise Connecticut’s Earned Income Tax Credit (EITC) to 30-50 percent of the federal EITC.
• Create a Connecticut Child Tax Credit (CTC) that is at least 15 percent of the federal CTC, and is fully-refundable with no phase-in.

1 Jaclyn Willner received her J.D. at Yale Law School and was a member of its Legislative Advocacy Clinic from September 2018-May 2020.