NCCP National Center for Children in Poverty
Columbia University
MAILMAN SCHOOL OF PUBLIC HEALTH

Low-Income Families in Connecticut: Results from the Family Resource Simulator

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About 85 percent of low-income children have parents who work, and most have at least one parent working full-time, year-round. Nonetheless, many of these parents are unable to afford basic necessities for their families, such as food, housing, and stable child care. Even a full-time job is not always enough to make ends meet, and many parents cannot get ahead simply by working more. As earnings increase—particularly as they rise above the official poverty level—families begin to lose eligibility for work supports. At the same time, work-related expenses, such as child care and transportation, increase. This means that parents may earn more without a family experiencing more financial security.[1] In some cases, earning more actually leaves a family with fewer resources after the bills are paid.

The Family Resource Simulator, developed by the National Center for Children in Poverty, illustrates how this happens. This web-based tool calculates resources and expenses for a hypothetical family that the user "creates" by selecting city and state, family characteristics, income sources, and assets. The user also selects which public benefits the family receives when eligible and makes choices about what happens when the family loses benefits (e.g., does the family seek cheaper child care after losing a subsidy?).

The result is a series of charts that show the hypothetical family's total income from various sources as earnings rise, as well as the cost of basic family expenses. Using the Simulator, this report describes the experiences of two hypothetical families in the workforce.

Low Income in Connecticut: The Jordans

The Jordans live in New Haven, Connecticut with two children, ages 4 and 6. The federal poverty level for such a family is roughly $18,000 per year.[2] The Jordans begin with no income. Then one parent enters the workforce and steadily increases hours to full-time employment. At this point, the second parent begins part-time work and moves into full-time employment. When the Jordans' employment requires outside child care, both children go to child care centers (the 6-year-old goes for after-school care). The Jordans pay taxes on their earnings, and when they qualify, they receive the federal Earned Income Tax Credit (EITC) and the federal Child Tax Credit. In addition, the Jordans receive food stamps and public health insurance.

However, as the Jordans' earnings increase, their child care and transportation expenses increase, and they begin to lose eligibility for the benefits that support work (see Figure 1). By the time both parents are working full-time, together earning about $36,400 per year, the family is no longer eligible for food stamps or the EITC, and Mr. and Mrs. Jordan have lost their public health insurance coverage.[3] Fortunately, the Jordans have health insurance through an employer, so their premiums are relatively low.[4] Without it, the Jordans would have to pay substantially more or go without health insurance.

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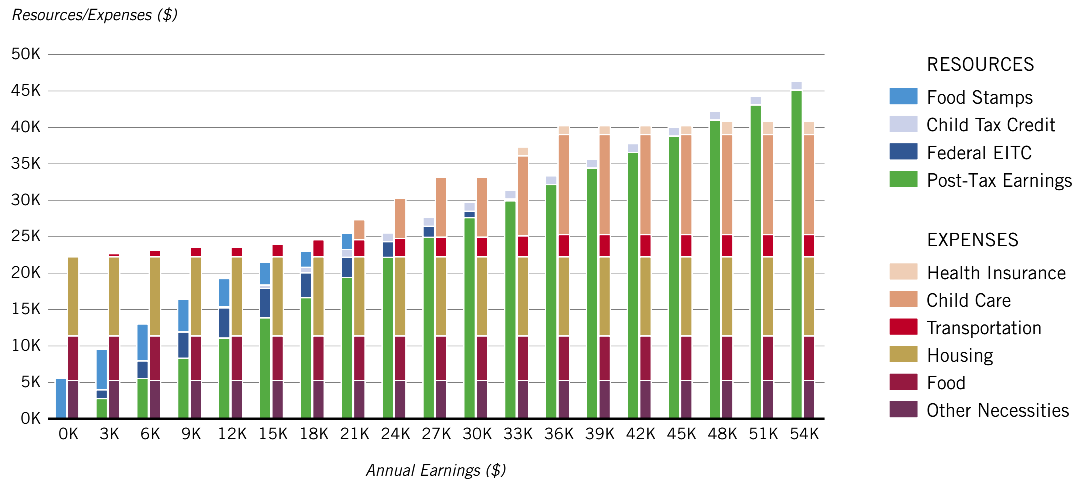
Figure 1: Jordan Family

Family Resources and Basic Expenses

NCCP Family Resource Simulator: Connecticut 2002



The Jordans' resources, even with tax credits, food stamps, and public health insurance, don't exceed expenses until their earnings rise to about $43,000. In fact, as the Jordans' earnings double from $18,000 to $36,000 per year, the gap between the family's resources and the cost of basic expenses actually increases. At $47,000—two and a half times the federal poverty level—the family has $26 in resources available to them after basic expenses. That's just over $2 per month for a family raising two children.

The Jordans would be better able to cover their expenses if they received child care assistance through the state's Child Care and Development Fund (CCDF) subsidy program. With this assistance, when annual earnings reached about $27,000, the Jordans would have just enough resources to pay for basic necessities. However, the program serves only a small percentage of eligible children.[5]

Thousands of families in Connecticut experience challenges similar to those faced by the Jordans. There are 97,000 low-income families living in the state, and 32,000 of them have a child under age 6. Among low-income families in Connecticut, 83 percent have at least one parent who works, and 49 percent have a parent who works full-time, year-round. More than a third are two-parent families.

Low Income in Connecticut: The Clarks

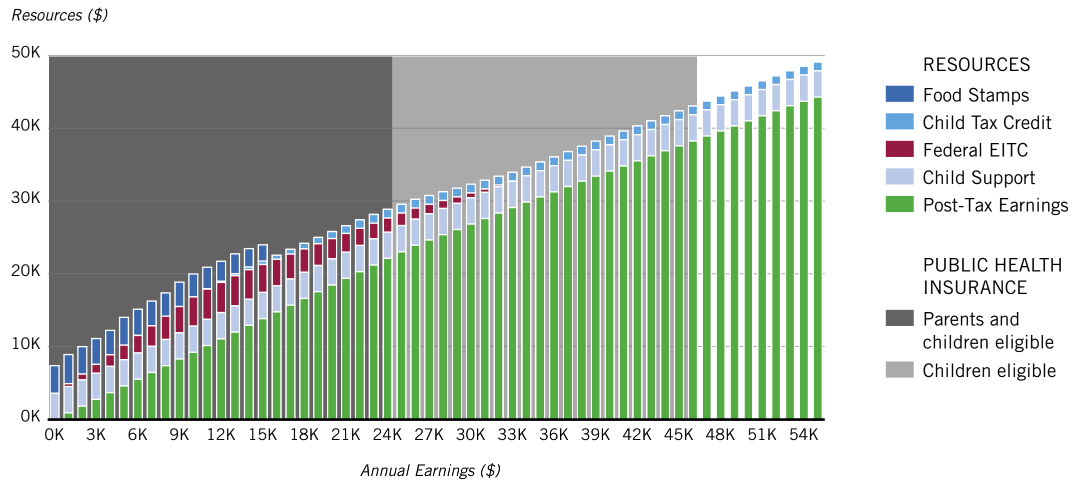
For a single-parent family in Connecticut, providing for a family's basic needs is even more challenging. Ms. Clark is a single mother living in New Haven who also has two children, ages 4 and 6. The federal poverty level for this family is about $15,000 per year. When Ms. Clark's earnings are low, the family receives the same public benefits as the Jordans—income tax credits, food stamps, and public health insurance. Ms. Clark also receives child support payments of $300 per month.[6] These payments significantly increase the family's resources, but they also reduce the family's food stamp benefits.

The Clarks' resources increase as Ms. Clark's earnings increase (see Figure 2). However, when her earnings increase from $15,000 to $16,000, family resources drop due to the loss of food stamps. The family suffers another hit when Ms. Clark's earnings reach $25,000 per year, and she loses her health insurance.

Figure 2: Clark Family

Family Resources

NCCP Family Resource Simulator: Connecticut 2002



As with the Jordans, Ms. Clark's work-related expenses increase as she moves from part-time to full-time employment. Ms. Clark's children are in license-exempt family care while she is at work (the 6-year-old goes after school); this care costs about half as much as care in a licensed child care center or home. Still, with child support payments, tax credits, and a full-time, year-round job paying $10 per hour[7]—$3 per hour above Connecticut's minimum wage—Ms. Clark does not have enough money to provide for her family (see Figure 3).

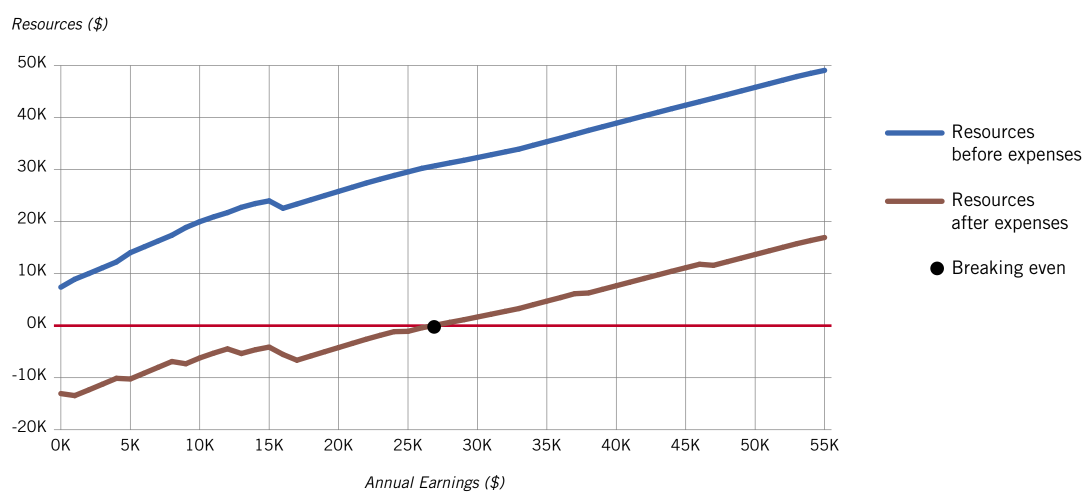
The Clarks' resources do not exceed the cost of basic expenses until Ms. Clark's earnings increase to $28,000. This means that Ms. Clark is not able to make ends meet until she earns $15 per hour. Even at this wage, she is unable to afford anything beyond her family's basic necessities.

There are other public supports that can help working families cover their basic expenses, such as Section 8 housing vouchers and Temporary Assistance for Needy Families (TANF) cash assistance. In practice, however, Section 8 housing vouchers are limited, and only a small percentage of eligible families receive them. And while Connecticut's TANF program provides substantial assistance to families who are officially poor, it is not available to low-income families with earnings above the poverty level.

Figure 3: Clark Family

Resources Before and After Basic Expenses

NCCP Family Resource Simulator: Connecticut 2002



Challenges for Policymakers

Today, existing public supports are threatened by rising federal and state budget deficits. Nearly half the states have reduced access to child care subsidies, and more than 30 states—including Connecticut—have approved cuts to their public health insurance programs that affect low-income children and/or parents' access to coverage. Many of these changes hit families just above the poverty level the hardest. At the same time, unemployment has increased, and job creation has been slow. As policymakers respond to the difficult choices they face, understanding the impact of public policies on the resources and work incentives of low-income working families is critical.

Endnotes

1. Cauthen, N. K. & Lu, H. (2003). *Employment alone is not enough for America's low-income children and families* (Living at the Edge Research Brief 1). New York, NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health <www.nccp.org/media/lat03a-text.pdf>.

2. See <aspe.hhs.gov/poverty/03poverty.htm> for more information about federal poverty measures.

3. Note that the Family Resource Simulator results are based on policy rules in effect in Connecticut in December 2002; in 2003, income eligibility limits for parents in Connecticut's public health insurance program were significantly reduced.

4. The percentage of employees that receive health benefits at work has steadily declined in recent years. According to the March 2003 National Compensation Survey, among employees in the private sector, only about half receive medical care benefits through their employers, and the rate is lower among employees with wages of less than $15 per hour. See: U.S. Bureau of Labor Statistics. (2003). *Employee benefits in private industry*, Table 1: Percent of workers participating in health care and retirement benefits, by selected characteristics, private industry <www.bls.gov/news.release/ebs2.t01.htm>.

5. Of the estimated 170,000 children who are eligible for CCDF subsidies in Connecticut, only about 14,000 (8 percent) receive them. The estimate of eligible children reflects the monthly average under October 2001 state rules, based on the Urban Institute's TRIM3 microsimulation model, using Current Population Survey data averaged over 1999, 2000, and 2001. Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, e-mail of August 2003. Number of recipient children reflects monthly average in FY 2001. See: U.S. Department of Health and Human Services, Child Care Bureau, Child Care and Development Fund. (2003). *FFY 2001 Tables and Charts (ACF-800 and ACF-801 data)* <www.acf.hhs.gov/programs/ccb/research/01acf800/chldser1.htm>.

6. According to 2001 National Survey of America's Families (NSAF) data, among families in which children are living with their mothers and have noncustodial fathers, just under half receive child support payments. For poor families, the likelihood of receiving child support is much lower—only about 36 percent receive payments. For those who receive child support, the average received is $2,550 per year, or $213 per month. For families with income between 100 and 200 percent of the poverty level, about 50 percent receive payments, and the average received is $3,980 per year, or $332 per month. See: Sorensen, E. (2003). *Child support gains some ground* (Snapshots of America's Families III, No. 11). Washington, DC: Urban Institute <www.urban.org/UploadedPDF/310860_snapshots3_no11.pdf>.

7. Given research indicating that persons leaving TANF cash assistance for employment typically earn more than the minimum wage, the Simulator assumes that parents earn the 20th percentile wage when they enter the workforce. In Connecticut, the 20th percentile wage is $9.82 per hour. See: Hall, D. J. & Geballe, S. (2003). *The state of working Connecticut, 2003*. New Haven, CT: Connecticut Voices for Children.

To learn more about the impact of public policies on low-income families in Connecticut, go to NCCP's Family Resource Simulator at **www.nccp.org**.