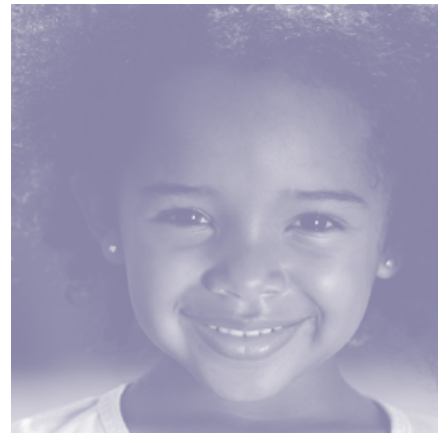


# Can Minimum Wage Increases Lead to Benefit Cliffs? A Closer Look at SNAP, CHIP, Medicaid, and CCDF Eligibility Requirements



National Center for Children in Poverty



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# Minimum Wage Increases and Benefit Cliffs

- 17 states (Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New Mexico, New York, Oregon, and Washington) and the District of Columbia are currently scheduling minimum wage (MW) increases above the rate of inflation in the coming years.
- Media stories and anecdotal accounts reported that many low-income workers have lost benefits or may be losing benefits as a result of MW increases.
- Programs such as SNAP, Medicaid/CHIP, and Child Care and Development Fund (CCDF) subsidies have eligibility cutoffs based on income that can be sudden, instead of gradual.
- This presentation will examine eligibility requirements for to assess these potential impacts on full-time workers earning the minimum wage and outline some potential state options for addressing any potential cliffs.

# Assumptions

- Employers do not decrease the number of hours that minimum-wage workers work
- Workers are unable to adjust their work schedules to lower their hours as an alternative to losing benefits.
- Full-time employees making minimum wage work 40 hours/week, 52 weeks/year
- Family types include 1 or 2 adult workers, and 0-5 children

# The SNAP benefit cliff

- SNAP's benefit cliff occurs at the point when a family's gross income (paycheck income) exceeds a state's SNAP gross income limit, yet their net income (gross income minus SNAP deductions) remains below SNAP's net income limit, which is universally 100%.
- States have discretion to set the SNAP gross income limit between 130%-200% FPG, due to Broad Based Categorical Eligibility. A proposed federal rule published in July 2019 would effectively remove eligibility above 130% for households without elderly or disabled family members.
- Without significant dependent care (e.g. child care) deductions or other deductions, SNAP declines gradually; there is no benefit cliff.
- Only 4% of households receiving SNAP claim the dependent care deduction in 2017. This would be about 1.6 million households in 2017.
- Many SNAP families may not be using the dependent care deduction because without access to free or subsidized programs, child care is expensive. (Head Start is free, and only 2.1 million children benefited from CCDF subsidies in 2017.)

# Families facing SNAP cliffs in states with gross income limits <200% FPG

<i>State</i>	<i>Current MW</i>	<i>Highest scheduled MW</i>	<i>SNAP Gross Income Limit (% FPG)</i>	<i>Family types of FT MW workers that could lose SNAP eligibility with current MW schedule and no inflation (with FT MW FPG equivalents of current MW and highest-scheduled MW)</i>
Arizona	\$11.00	\$12.00	185%	2 adults w/2 children (178%-194%)
Arkansas	\$9.25	\$11.00	130%	1 adult w/1 child (114%-135%); 2 adults w/3 children (128%-152%), w/4 children (111%-132%)
Connecticut	\$10.10	\$15.00	185%	2 adults w/2 children (163%-242%), w/3 children (139%-207%)
Illinois	\$8.25	\$15.00	165%	1 adult w/ w/ 1 child (101%-185%); 2 adults w/1 child (161%-293%), w/2 children (133%-242%), w/3 children (114%-207%), w/4 children (99%-180%)
Maine	\$11.00	\$12.00	185%	2 adults w/ 2 children (178%-194%)
Missouri	\$8.60	\$12.00	130%	1 adult w/1 child (106%-148%); 2 adults w/1 child (168%-234%), w/3 children (119%-165%), w/4 children (103%-144%)
New Jersey	\$8.85	\$15.00	185%	2 adults w/1 child (173%-293%), w/2 children (143%-242%), w/3 children (122%-207%)
New Mexico	\$7.50	\$12.00	165%	2 adults w/ w/1 child (146%-234%), w/2 children (121%-194%)
Oregon	\$10.75	\$13.50	185%	2 adults w/2 (174%-218%), w/3 children (148%-186%)

# SNAP cliffs in states with limits <200% FPG, only w/children, w/policy change

State	Current MW	Highest scheduled MW	SNAP Gross Income Limit (% FPG)	Family types of FT MW workers with children that could lose SNAP eligibility with current MW schedule and no inflation, if state changed SNAP limit to 200% FPG
Arizona	\$11.00	\$12.00	185%	
Arkansas	\$9.25	\$11.00	130%	
Connecticut	\$10.10	\$15.00	185%	2 adults w/ 1 child (197%-293%), w/ 2 children (163%-242%), w/ 3 children (139%-207%)
Illinois	\$8.25	\$15.00	165%	2 adults w/ 1 child (161%-293%), w/ 2 children (133%-242%), w/ 3 children (114%-207%)
Maine	\$11.00	\$12.00	185%	
Missouri	\$8.60	\$12.00	130%	2 adults w/ 1 child (168%-234%)
New Jersey	\$8.85	\$15.00	185%	2 adults w/ 1 child (173%-293%), w/ 2 children (143%-242%), w/ 3 children (122%-207%)
New Mexico	\$7.50	\$12.00	165%	2 adults w/ 1 child (146%-234%)
Oregon	\$10.75	\$13.50	185%	2 adults w/ 2 children (174%-218%)

# Families facing SNAP cliffs in states with gross income limits = 200% FPG

<i>State</i>	<i>Current MW</i>	<i>Highest MW currently scheduled</i>	<i>Family types of FT MW workers that could lose SNAP eligibility with current MW schedule and no inflation (with FT MW FPG equivalents of current MW and highest-scheduled MW)</i>
California	\$12.00	\$15.00	2 adults w/ 2 children (194%-242%), w/ 3 children (165%-207%)
Colorado	\$11.10	\$12.00	
Delaware	\$8.75	\$9.25	
D.C.	\$13.25	\$15.00	2 adults w/ 3 children (183%-207%)
Maryland	\$10.11	\$15.00	2 adults w/ 1 child (197%-293%), w/ 2 children (163%-242%), w/ 3 children (139%-207%)
Massachusetts	\$12.00	\$15.00	2 adults w/ 2 children (194%-242%), w/ 3 children (165%-207%)
Michigan	\$9.25	\$12.00	2 adults w/ 1 child (180%-234%)
New York	\$11.10	\$12.50	2 adults w/ 2 children (179%-202%)
Washington	\$12.00	\$13.50	2 adults w/ 2 children (174%-218%)

# The relevance of inflation

- With *any* inflation, the number of families that would face potential benefit cliffs in SNAP and other means-tested programs dependent on federal poverty guidelines would be reduced.
- How inflation is calculated (e.g. conventional CPI vs. chained CPI) is therefore relevant to how much impact minimum wage increases have on retaining benefit enrollment.



# Households affected by removing Broad Based Categorical Eligibility

State	Planned MW increase	# SNAP Households, no elderly or disabled member, Gross Income > 131% FPG	% SNAP Households, no elderly or disabled member, Gross Income > 131% FPG	Current SNAP BBCE Gross Income Limit (% FPG)	State	Planned MW increase	# SNAP Households, no elderly or disabled member, Gross Income > 131% FPG	% SNAP Households, no elderly or disabled member, Gross Income > 131% FPG	Current SNAP BBCE Gross Income Limit (% FPG)
California	Y	66,759	4%	200%	Iowa	N	8,586	8%	160%
Florida	N	64,689	6%	200%	Illinois	Y	6,143	1%	165%
Pennsylvania	N	33,931	8%	160%	New Mexico	Y	4,531	3%	165%
Michigan	Y	29,750	7%	200%	Rhode Island	N	4,492	10%	185%
North Carolina	N	27,907	6%	200%	Delaware	Y	3,526	9%	200%
Washington	Y	25,846	8%	200%	Maine	Y	3,409	9%	185%
Wisconsin	N	25,824	12%	200%	Vermont	N	2,649	15%	185%
Massachusetts	Y	23,481	13%	200%	Hawaii	N	2,606	6%	200%
Maryland	Y	22,023	10%	200%	Ohio	N	2,399	1%	130%
New York	Y	21,833	3%	200%	D.C.	Y	2,390	6%	200%
Oregon	Y	19,710	9%	185%	Montana	N	2,091	7%	200%
Arizona	Y	15,883	5%	185%	New Hampshire	N	2,090	11%	185%
New Jersey	Y	12,076	5%	185%	West Virginia	N	1,755	2%	200%
Nevada	N	11,318	8%	200%	North Dakota	N	1,009	8%	200%
Connecticut	Y	10,981	9%	185%	Colorado	Y	530	0%	200%
Minnesota	N	10,963	9%	165%					

# Medicaid/CHIP benefit cliffs

- Medicaid and the Children's Health Insurance Program (CHIP) also have means-tested eligibility guidelines often based on the federal poverty guideline.
- Families with incomes higher than Medicaid/CHIP eligibility guidelines can access employer-provided health insurance or non-group (marketplace or individual) health insurance.
- Families who do not have access to affordable employer-provided health insurance who have incomes above 100% FPG can access premium tax credits for non-group health insurance.

# Families with children facing CHIP cliffs in states with scheduled MW increases

<i>State</i>	<i>Current MW</i>	<i>Highest MW currently scheduled</i>	<i>Medicaid / CHIP limits for children ages 0-17</i>	<i>Maximum FT MW income (% FPG) among families w/ children (2 parents, 1 child)</i>	<i>Expanded Medicaid under the ACA?</i>	<i>FT MW family types whose children could be pushed over Medicaid/CHIP income limits with MW increases</i>
Arizona	\$11.00	\$12.00	205%	234%	Yes	
Arkansas	\$9.25	\$11.00	216%	215%	Yes	
California	\$12.00	\$15.00	266%	293%	Yes	2 adults w/ 1 child (234%-293% FPG)
Colorado	\$11.10	\$12.00	265%	234%	Yes	
Connecticut	\$10.10	\$15.00	323%	293%	Yes	
Delaware	\$8.75	\$9.25	217%	180%	Yes	
D.C.	\$13.25	\$15.00	324%	293%	Yes	
Illinois	\$8.25	\$15.00	318%	293%	Yes	
Maine	\$11.00	\$12.00	213%	234%	Yes	
Maryland	\$10.11	\$15.00	322%	293%	Yes	
Massachusetts	\$12.00	\$15.00	305%	293%	Yes	
Michigan	\$9.25	\$12.00	217%	234%	Yes	2 adults w/ 1 child (180%-234% FPG)
Missouri	\$8.60	\$12.00	305%	234%	No	
New Jersey	\$8.85	\$15.00	355%	293%	Yes	
New Mexico	\$7.50	\$12.00	245%	234%	Yes	
New York	\$11.10	\$12.50	405%	244%	Yes	
Oregon	\$10.75	\$13.50	305%	263%	Yes	
Washington	\$12.00	\$13.50	317%	263%	Yes	

# CHIP: states w/ no scheduled MW hikes

State	Current MW	Medicaid/CHIP limits for children ages 0-17	Maximum %FPG of FT MW family types with children (2 adults, 1 child)	Difference btwn Medicaid/CHIP income limit for children and maximum FT MW equivalent	State	Current MW	Medicaid/CHIP limits for children ages 0-17	Maximum %FPG of FT MW family types with children (2 adults, 1 child)	Difference btwn Medicaid/CHIP income limit for children and maximum FT MW equivalent
South Dakota	\$9.10	209%	177%	32%	Kentucky	\$7.25	218%	141%	77%
North Dakota	\$7.25	175%	141%	34%	Minnesota	\$9.86	280%	192%	88%
Nebraska	\$9.00	218%	176%	42%	Kansas	\$7.25	240%	141%	99%
Nevada	\$8.25	205%	161%	44%	Montana	\$8.50	266%	166%	100%
Ohio	\$8.55	211%	167%	44%	Vermont	\$10.78	317%	210%	107%
Idaho	\$7.25	190%	141%	49%	Louisiana	\$7.25	255%	141%	114%
Florida	\$8.46	215%	165%	50%	Tennessee	\$7.25	255%	141%	114%
Alaska	\$9.89	208%	154%	54%	Indiana	\$7.25	262%	141%	121%
Rhode Island	\$10.50	266%	205%	61%	West Virginia	\$8.75	305%	171%	134%
Utah	\$7.25	205%	141%	64%	Hawaii	\$10.10	313%	171%	142%
Virginia	\$7.25	205%	141%	64%	Georgia	\$5.15	252%	100%	152%
Wyoming	\$7.25	205%	141%	64%	Wisconsin	\$7.25	306%	141%	165%
Texas	\$7.25	206%	141%	65%	Iowa	\$7.25	307%	141%	166%
Oklahoma	\$7.25	210%	141%	69%	Alabama	\$7.25	317%	141%	176%
South Carolina	\$7.25	213%	141%	72%	Pennsylvania	\$7.25	319%	141%	178%
Mississippi	\$7.25	214%	141%	73%	New Hampshire	\$7.25	323%	141%	182%
North Carolina	\$7.25	216%	141%	75%					

# Medicaid cliffs in states increasing MW

State	Current MW	Highest MW currently scheduled	Expanded Medicaid	Income limit for parents, %FPG	Family types whose adults are at risk of losing Medicaid/CHIP coverage with minimum wage increases (with FT MW incomes as %FPG)
Arizona	\$11.00	\$12.00	Yes	138%	1 adult w/1 child (135%-148%); 2 adults w/ 4 children (132%-144%)
Arkansas	\$9.25	\$11.00	Yes	138%	2 adults w/3 children (128%-152%)
California	\$12.00	\$15.00	Yes	138%	1 adult w/2 children (117%-146%); 2 adults w/5 children (128%-160%)
Colorado	\$11.10	\$12.00	Yes	138%	1 adult w/ 1 child (137%-148%); 2 adults w/ 4 children (133%-144%)
Connecticut	\$10.10	\$15.00	Yes	155%	1 adult w/1 child (124%-185%); 2 adults w/4 children (121%-180%), w/5 children (108%-160%)
Delaware	\$8.75	\$9.25	Yes	138%	
D.C.	\$13.25	\$15.00	Yes	221%	2 adults w/2 children (214%-242%)
Illinois	\$8.25	\$15.00	Yes	138%	1 adult w/no children (137%-250%), w/1 child (101%-185%), w/2 children (80%-146%); 2 adults w/2 children (133%-242%), w/3 children (114%-207%), w/4 children (99%-180%), w/5 children (88%-160%)
Maine	\$11.00	\$12.00	Yes	138%	1 adult w/1 child (135%-148%); 2 adults w/4 children (132%-144%)
Maryland	\$10.11	\$15.00	Yes	138%	1 adult w/1 child (124%-185%, w/2 children (98%-146%); 2 adults w/4 children (122%-180%), w/5 children (108%-160%)
Massachusetts	\$12.00	\$15.00	Yes	138%	1 adult w/2 children (117%-146%); 2 adults w/5 children (128%-160%)
Michigan	\$9.25	\$12.00	Yes	138%	1 adult w/1 child (114%-148%); 2 adults w/3 children (128%-165%), w/4 children (111%-144%)
Missouri	\$8.60	\$12.00	No	21%	
New Jersey	\$8.85	\$15.00	Yes	138%	1 adult w/1 child (109%-185%), w/2 children (86%-146%); 2 adults w/3 children (122%-207%), w/4 children (106%-180%), w/5 children (94%-160%)
New Mexico	\$7.50	\$12.00	Yes	138%	1 adult w/1 child (125%-200%), w/2 children (92%-148%); 2 adults w/2 children (121%-194%), w/3 children (103%-165%), w/4 children (90%-144%)
New York	\$11.10	\$12.50	Yes	138%	1 adult w/1 child (137%-154%); 2 adults w/4 children (134%-150%)
Oregon	\$10.75	\$13.50	Yes	138%	
Washington	\$12.00	\$13.50	Yes	138%	

# Medicaid loss offset by wage increases

State	MEPS average of annual self-only coverage	FT increase MW changes represent	Difference btwn MEPS self-only average and FT increases MW change represents	MEPS average of annual employee+1 coverage	Difference between MEPS employee+1 average and FT MW income	Family types experiencing potential net losses, same assumptions, but with 1 adult working, 1 adult taking care of child(ren)
Arizona	\$1,453	\$2,080	\$627	\$3,857	-\$1,777	No one-worker families
Arkansas	\$1,154	\$3,640	\$2,486	\$3,840	-\$200	No one-worker families
California	\$1,554	\$6,240	\$4,686	\$3,498	\$2,742	
Colorado	\$1,375	\$1,872	\$497	\$3,390	-\$1,518	2 adults (1 working) w/3 children (133%-144%)
Connecticut	\$1,202	\$10,192	\$8,990	\$3,486	\$6,706	
Delaware	\$1,289	\$1,040	-\$249	\$3,784	-\$2,744	No one-worker families
D.C.	\$1,672	\$3,640	\$1,968	\$4,002	-\$362	No one-worker families
Illinois	\$755	\$14,040	\$13,285	\$3,302	\$10,738	
Maine	\$1,633	\$2,080	\$447	\$3,896	-\$1,816	No one-worker families
Maryland	\$1,584	\$10,180	\$8,596	\$3,813	\$6,367	
Massachusetts	\$1,461	\$6,240	\$4,779	\$4,035	\$2,205	
Michigan	\$1,588	\$5,720	\$4,132	\$3,383	\$2,337	
Missouri	\$1,575	\$7,072	\$5,497	\$3,490	\$3,582	
New Jersey	\$1,355	\$12,792	\$11,437	\$3,615	\$9,177	
New Mexico	\$1,618	\$9,360	\$7,742	\$3,776	\$5,584	
New York	\$1,598	\$2,909	\$1,311	\$3,597	-\$688	No one-worker families
Oregon	\$1,632	\$5,717	\$4,085	\$3,364	\$2,353	
Washington	\$1,456	\$3,120	\$1,664	\$2,558	\$562	

# CCDF benefit cliffs

- CCDF is a block-granted program.
- Families provide co-pays on a sliding scale to cover part of the cost of subsidized child care through CCDF.
- States pay providers based on state payment rates (SPRs).
- CCDF benefit cliffs result from the market rate for child care not matching the state payment rate for CCDF-subsidized child care, so that when families are no longer eligible for CCDF, they face higher rates in the market for equivalent care.
- CCDF is used by 2.1 million children benefited from CCDF subsidies in 2015, which translates to 24.9% of children eligible for the subsidy under state rules and 15.4% of children eligible for the subsidy under federal standards, (Chien, 2019).
- Federal standards recommend an exit (recipient) income limit of 85% of the state median income.

# CCDF cliffs in states increasing MW

State	Current MW	Highest MW currently scheduled	FT increase MW changes represent	FT MW family types whose children could be pushed over CCDF exit income limits with MW increases	Would cliff exist if 85% SMI adopted?
Arkansas	\$9.25	\$11.00	\$3,640	2 adults w/3 children 128%-152%, limit at 135%), w/4 children (111%-132%, limit at 131%)	N
California	\$12.00	\$15.00	\$6,240	2 adults w/1 child (234%-293%, limit at 279%)	Y (limits at 85% SMI)
Illinois	\$8.25	\$15.00	\$14,040	1 adult w/1 child (101%-185%, limit at 178%); 2 adults w/1 child (161%-293%, limit at 177%), w/2 children (133%-242%, limit at 177%), w/3 children (114%-207%, limit at 176%), w/4 children (99%-180%, limit at 176%)	N
Missouri	\$8.60	\$12.00	\$7,072	2 adults w/1 child (168%-234%, limit at 215%)	N
New Mexico	\$7.50	\$12.00	\$9,360	2 adults w/1 child (146%-234%, limit at 200%)	Y (limit would be 207% FPG)
New York	\$11.10	\$12.50	\$2,909	2 adults w/2 children (179%-202%, limit at 191%)	N
Oregon	\$10.75	\$13.50	\$5,717	2 adults w/1 child (210%-263%, limit at 243%)	N



# Other programs

- Other programs where benefit cliffs might emerge:
  - WIC
  - Head Start
  - Housing programs, including the Housing Choice Voucher Program (HCVP, or Section 8)
  - Housing programs based on local or state rules
  - Free or reduced-price meal programs
  - LIHEAP

THANK YOU!

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