



Testimony Supporting S.B. 391: An Act Concerning The Recoupment Of State Costs Attributable To Low Wage Employers

Derek Thomas, M.P.A.
Human Services Committee
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Senator Moore, Representative Abercrombie, and Members of the Human Services Committee:

I am the Fiscal Policy Fellow at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well being of Connecticut’s children, youth, and families.

I am submitting comments in support of S.B. 391: An Act Concerning The Recoupment Of State Costs Attributable To Low Wage Employers. The rise in low-wage work is a double whammy to the state fiscal’s health. First, as low-wage jobs grow faster than high wage jobs, state revenue streams are hurt by decreased income tax revenue. Second, some of the largest and most profitable employers in industries that have seen the strongest growth during the recovery are relying on public assistance programs to subsidize the low wages they pay their employees.

Connecticut Industry Growth – January 2008 through June 2015, and Average Annual Pay

Industry	Jan 2008 - June 2015 Change	2014 Average Annual Pay
Manufacturing	-15%	\$81,393
Information	-14%	\$93,027
Financial activities	-9%	\$146,597
Construction	-3%	\$61,052
Trade, transportation, and utilities	-3%	\$47,564
Service providing	5%	\$62,929
Professional and business services	8%	\$84,715
Other services	10%	\$32,122
Education and health services	13%	\$51,947
Leisure and hospitality	26%	\$20,847

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Increased reliance on work support programs by low-wage employers coupled with state budget shortfalls threatens those very programs that provide working families a ladder into the middle class, such as:

- **Earned Income Tax Credit (EITC):** In 2014, the state invested \$107.5 million in its EITC program to boost the take home pay of 192,042 working families in Connecticut, whose gross incomes on average were \$17,732 – an annual salary that’s less than what a full-time year-round worker making the minimum wage would earn. The average credit was \$472, a 20 percent decrease from the average in 2011 (\$601) – when the credit was equal to 30 percent of the federal EITC – before it was reduced due to budget shortfalls.¹

¹ Restoring Connecticut’s EITC Makes Sense (see our brief and interactive maps):

<http://www.ctvoices.org/publications/restoring-connecticuts-earned-income-tax-credit-makes-sense>

- **Care 4 Kids:** In 2014, the state invested \$50.74 million in Care 4 Kids to serve the working parents of 20,473 children. As a result of cuts, that's a decline from 21,786 in 2011, even as the number of low-income children has increased since.²
- **Other Support:** From 2009 – 2011, the state invested \$902 million on HUSKY health coverage (Medicaid and the Children's Health Insurance Program (CHIP)) and TANF – 54 percent (\$486 million) of which went to support working families.³

From 2005 to 2011, the top five employers whose employees' children received HUSKY A increased from 42 percent by Stop and Shop and as much as 244 percent by First Student.

Employer	2005 Total Recipients	April 2009 Total Recipients	May 2011 Total Recipients	% Change 2005-2011
Walmart	2,232	3,741	3,654	63.7
Dunkin Donuts	1,438	3,153	3,186	121.6
Stop and Shop	1,996	2,372	2,828	41.7
McDonald's	1,290	1,915	1,931	49.7
First Student	565	1,471	1,945	244.2

Source: Cohen, R. OLS Research, Husky Employers, June 2011 <https://www.cga.ct.gov/2011/rpt/2011-R-0263.htm>

According to Connecticut's Self-Sufficiency Standard, the amount needed to make ends meet for one adult and one preschooler varies from \$21.14 per hour (\$44,675 annually) in Windham to \$36.84 per hour (\$77,800 annually) in Lower Fairfield County, or from 280 percent of the Federal Poverty Level (FPL) to 488 percent of the FPL. Only in two of the 23 regions examined in the report can a single childless adult at the current minimum wage afford to meet their most basic needs.⁴

A \$15 minimum wage is the preferred approach to boost living standards and improve opportunity for hundreds of thousands of Connecticut workers and their families. In the absence of a higher minimum wage, however, a low-wage worker fee would bring in desperately needed revenue to strengthen health care, childcare, and other critically important services.⁵ It simply makes sense that large and profitable companies paying wages so low that their employees need state assistance to support their families should contribute toward the cost of those programs.

Thank you for this opportunity to submit testimony in support of S.B. 391.

Please feel free to contact me if you have questions or need additional information.

I can be reached at dthomas@ctvoices.org or (203) 498-4240 (x 114).

² Impact of the Governor's Proposed FY 2017 Budget on Children and Families:

<http://www.ctvoices.org/publications/impact-governors-proposed-fy-2017-budget-children-and-families>

³ Jacobs, Ken e al. Federal Reserve Bank of Boston, *The Public Cost of Low Wage Work in New England*:

<http://www.bostonfed.org/commdev/C&B/2016/spring/The-Public-Cost-of-Low-Wage-Work.htm>

⁴ Permanent Commission of the Status of Women: *The Self-Sufficiency Standard for Connecticut*, 2015.

<http://ctpcsw.com/the-latest/research/>

⁵ See our minimum wage testimony:

http://www.ctvoices.org/sites/default/files/030316_hb5370_labor_minimumwage.pdf