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The Benefit Cliff and Economic Mobility in New York City: A Structural Analysis of Low-Income Working Families

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Abstract. New York City is about as consequential a case as exists: a city running one of the most complex overlapping benefit architectures in the country, against a cost-of-living baseline that strains household budgets well above federal poverty guidelines. The distance between the income level at which benefits expire and the income level at which a family achieves stability is wider here than in almost any other American city, and the cliff between those two states is correspondingly more punishing. This paper examines how that cliff functions as a structural barrier to mobility for low-wage working families in New York City. The central argument is that the benefit cliff is not a fiscal side effect of means-testing but an emergent property of overlapping program architectures, a system where economic immobility becomes, for a significant share of the city's workforce, the utility-maximizing choice. The analysis moves from program context through demographic burden to an original net income simulation, before turning to policy interventions assessed against the twin constraints of fiscal viability and administrative feasibility. The broader implication is that a benefit system designed to alleviate poverty can, through structural incoherence rather than intent, operate to reproduce it.

Keywords: Welfare economics, benefit phase-out, effective marginal tax rate, labor incentives, low-income households

1. Introduction

The American welfare state is built on a straightforward premise: public benefits should flow to those who need them, and as earnings rise, that need diminishes. What this logic obscures are the discontinuity it creates. When benefit eligibility ends abruptly at fixed income thresholds, a marginal increase in earned income can produce a net decrease in household resources, a phenomenon the economics literature term the "benefit cliff." The worker is not making an error. She is solving her budget problem correctly, and the answer is to stay poor.

The mechanics follow from program architecture. Mean-tested transfers, including food assistance, housing subsidies, childcare vouchers, and health coverage, each carry their own eligibility thresholds and phase-out schedules, and individually, each reflects defensible targeting logic. Stacked together, though, their overlapping discontinuities generate a nonconvex budget constraint, where additional labor supply can push a household onto a lower indifference curve [1]. This is not a theoretical curiosity. It is the operating condition of a significant share of the American

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low-wage workforce. What the existing literature has addressed less systematically is how these dynamics play out in dense urban environments, where both the layering of means-tested programs and the gap between eligibility thresholds and genuine self-sufficiency are far wider than national averages suggest.

2. Contextualization

The city's low-income support system is not a unified structure but a layered accumulation of federal, state, and municipal transfers, each administered by a separate agency, each governed by distinct eligibility rules, and each capable of disappearing at a different point on the income spectrum. No single agency designed this system. It grew, program by program, and the incoherence is baked in.

2.1. The major programs

SNAP provides monthly food assistance to households below 130 percent of the federal poverty level, with a gross income cutoff that terminates benefits discontinuously rather than tapering them. For a household of two in New York, that ceiling stood at approximately $42,312 annually as of October 2025 [2]. Medicaid covers low-income adults and children up to 138 percent of the federal poverty level under the ACA expansion, after which enrollers must transition to subsidized marketplace coverage, a shift that for most low-wage households means a meaningful increase in out-of-pocket premium expenditure and cost-sharing obligations. The federal Section 8 Housing Choice Voucher program restricts eligibility to households earning at or below 50 percent of area median income, set at $77,650 for a family of four in the New York Metro area in 2024, with participants contributing roughly 30 percent of adjusted gross income toward rent and the voucher subsidy covering the remainder [3]. New York City's ACS childcare subsidy program nominally covers families below 85 percent of New York State Median Income, a threshold recently expanded to approximately $93,200 for a family of four, though in practice funding constraints mean vouchers are rationed well below that ceiling and wait times are substantial. The NYC Comptroller reported in 2025 that roughly 80 percent of New York City families with children under five cannot afford care at the federally recommended cost threshold, which makes the subsidy not merely helpful but structurally load-bearing for household economic viability. Rounding out the portfolio is the federal Earned Income Tax Credit, which phases in with earned income, reaches a maximum credit value, and then tapers gradually at higher income levels. Unlike the programs above, its design explicitly rewards labor force participation, and its presence in the benefit mix moderates, though nowhere near eliminates, the net income losses generated by simultaneous phase-outs elsewhere.

Table 1 summarizes the eligibility architecture across these five programs for a representative single-parent household of two.

Table 1. Eligibility architecture

Program	Administering agency	Annual income threshold	Threshold as % FPL	Phase-out type	Program
SNAP	USDA / NYS OTDA	~$42,312	130%	Abrupt cutoff	SNAP
Medicaid	NYS Dept. of Health	~$26,404	138%	Abrupt cutoff	Medicaid

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Table 1. (continued)

Section 8 HCV	HUD / NYCHA / HPD	~$64,850 (50% AMI)	~337%	Graduated (30% income to rent)	Section 8 HCV
ACS childcare subsidy	NYC ACS / OCFS	~$73,869 (household of 2)	Varies by family size	Abrupt funding limits	ACS childcare subsidy
EITC (federal)	IRS	Phase-out begins ~$21,560 (1 child)	~112%	Gradual taper	EITC (federal)

2.2. Stacking issues

No single program, examined in isolation, produces the full severity of the benefit cliff. The problem is one of interaction. When multiple programs phase out within the same earnings band, as they routinely do for households in the $25,000 to $45,000 annual income range in New York City, the cumulative reduction in net household resources per additional dollar of earned income can exceed the value of that dollar many times over. Economists measure this through the effective marginal tax rate, defined as the share of each additional dollar of gross earned income lost through some combination of increased tax liability and reduced transfer benefit value. When the effective marginal tax rate exceeds 100 percent, a household is made worse off in net material terms by earning more. Kosar and Moffitt found that a single mother with two children, earning between 100 and 150 percent of the poverty level and receiving only Medicaid and SNAP, already faced an effective marginal tax rate of 81 percent, and that is before childcare subsidies or housing assistance enter the calculation at all [4]. Add those programs, and the picture worsens considerably. The AEI identifies this interaction effect as particularly acute when programs phase out overlapping income ranges, producing a cumulative work disincentive that is qualitatively different from anything a single program generates on its own [5].

There is also an administrative dimension that financial framing alone tends to obscure. A household approaching a SNAP income threshold does not simply absorb that benefit loss and continue. It does so while simultaneously nearing the phase-out of childcare subsidies, the Medicaid transition point, and a potential recalculation of housing assistance, each of which demands documentation, redetermination, and in many cases a full reapplication from scratch. A 2024 study by DHHS and Mathematica found that households losing benefits most often must restart the application process entirely, adding a transaction cost burden that compounds the financial penalty rather than merely sitting alongside it. The cliff, in other words, is not only about money.

2.3. The New York City context

Federal poverty thresholds, which govern eligibility for most of the programs described above, are set nationally and do not adjust for geographic variation in housing, childcare, or transportation costs. A household earning 150 percent of the federal poverty level in New York City is in a fundamentally different position than one at the same relative income in a lower-cost metropolitan area. The former may be benefit-ineligible while remaining genuinely unable to cover market-rate housing, unsubsidized childcare, and adequate nutrition simultaneously. This mismatch is not

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incidental. It is the structural condition under which the benefit cliff operates in New York City, and it makes the cliff here considerably steeper than the national literature tends to capture.

The numbers bear this out directly. The 2021 Self-Sufficiency Standard for the Bronx, already the least expensive borough in the city, found that a single adult with one preschooler needs $32.26 per hour, or roughly $67,100 annually, just to cover basic needs without any public or private assistance. That figure sits 74 percent above the SNAP eligibility ceiling for a household of the same size, and more than two and a half times the federal poverty guideline. The Federation of Protestant Welfare Agencies' 2025 True Cost of Economic Security analysis sharpens this further. Despite a citywide minimum wage of $16.50 per hour, an individual in New York City needs at least $71,300 annually to achieve basic economic security, a bar the minimum wage reaches at less than half. Ninety-one percent of single-parent households citywide fall below this threshold, and the average household under it falls short by more than $50,000 per year [6].

It is within this gap, above the cliff's edge and below genuine self-sufficiency, that the mobility trap operates. The income band where a New York City household is simultaneously too wealthy to qualify for assistance and too poor to survive without it is not a narrow seam. It is a wide, structurally inhabited space, one that the city's benefit architecture as currently designed provides almost no mechanism for crossing.

3. Controversy

The logic behind means-tested program design is not unreasonable on its face. Public resources are finite and targeting them toward households with the greatest demonstrated need is, on its own terms, a defensible allocation principle. Proponents of the existing structure argue that the alternative, extending benefits gradually across a broader income range, would either require substantially higher public expenditure or dilute the value of transfers to the households that need them most. The fiscal arithmetic is real. A childcare subsidy that phases out more gradually is a childcare subsidy that costs more, and that cost must come from somewhere.

3.1. The case for means-testing

There is also an empirical strand of the defense that deserves serious engagement. The Center on Budget and Policy Priorities in 2014 drawing on a review of research co-authored by Moffitt himself, concluded that most low-income benefit programs have at most a modest impact on reducing work effort, and that the aggregate work disincentive effects are sufficiently small to have almost no measurable effect on the safety net's overall success in reducing poverty. On this account, the benefit cliff is a real but overstated phenomenon, one whose theoretical severity in marginal tax rate terms does not translate cleanly into observed labor supply reductions. Part of the reason, the University of Wisconsin's Institute for Research on Poverty notes, is that most low-income workers cannot choose their hours with sufficient freedom for the cliff to function as the clean disincentive economic theory predicts. A home health aide whose employer offers a raise does not have the option of simply working fewer hours to remain eligible. The labor market does not cooperate with that kind of optimization.

3.2. The case against

The problem with the defense above is that it addresses a narrower question than the one the benefit cliff poses. The empirical finding that workers do not dramatically reduce their labor supply in

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response to high effective marginal tax rates does not mean the cliff is not harming them. It may simply mean they have no good options. A worker who accepts a raise and loses a childcare voucher worth $2,250 per month, as the Community Service Society documented is possible for a $2 per hour wage increase in New York City, has not escaped the cliff. She has fallen off it, absorbed the loss, and continued working because the alternative is worse. That is a poverty trap even if it does not show up as reduced labor supply in a regression.

The deeper structural critique developed most rigorously is that the stacking of means-tested programs produces a nonconvex budget set in which the relationship between gross earnings and net household resources is not monotonically increasing [7]. Workers face, at certain income intervals, a budget constraint that makes higher earnings genuinely worse, not just marginally less good. This is not a problem with individual program design. Each program, evaluated separately, may phase out at a reasonable rate. The problem is that they phase out at similar income levels, and no coordinating mechanism exists to prevent the cumulative effective marginal tax rate from reaching economically irrational levels. Federal Reserve Bank of Atlanta researchers found that the cumulative effective marginal tax rate from childcare subsidy phase-out alone can spike to 173 percent at certain income thresholds, meaning a household loses $1.73 in net resources for every additional dollar it earns. No coherent welfare economics framework can describe that outcome as optimal.

3.3. Benefit preservation as rational economic behavior

Perhaps the most important and least discussed dimension of this controversy is what might be called the internalized disincentive. The Community Service Society's 2024 survey of New York City benefit recipients found that among respondents who had taken deliberate action to preserve their benefits, 38 percent were already working full or part time. These are not individuals who have withdrawn from the labor market. They are workers who have learned, through experience or through informal knowledge passed through their communities, that certain earnings thresholds trigger benefit losses that outweigh the wage gains. They have adjusted their behavior accordingly, not by working less, but by declining promotions, avoiding overtime, or turning down offers of better-paying positions.

The DHHS and Mathematica study found that benefit recipients' willingness to accept earnings increases was significantly dampened not only by the prospect of direct benefit loss but by the difficulty of reinstating benefits once lost, since most households that exit a program must reapply from scratch with no guarantee of timely re-enrollment [8]. This adds an option value dimension to the disincentive that conventional effective marginal tax rate analysis does not fully capture. A worker who loses Medicaid coverage at an income threshold is not merely losing a transfer of known value. She is also losing the ability to quickly recover that coverage if her income subsequently falls again, which for low-wage workers in volatile employment is a realistic and common scenario. The rational response to this asymmetry is to treat benefit eligibility as a form of insurance and to protect it with considerable sacrifice of potential earnings.

The debate between defenders and critics of means-testing is, in one sense, a debate about different questions. Defenders are largely asking whether the safety net reduces poverty, and on that question, the evidence is broadly affirmative. Critics are asking whether the safety net, as designed, allows the households it covers to move out of poverty over time, and on that question, the evidence is considerably less reassuring. These are not contradictory findings. A program can successfully keep households from falling below a deprivation threshold while simultaneously making it harder for those households to rise above it. That is precisely the tension the benefit cliff creates, and it is a tension that neither side of the conventional debate fully resolves.

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4. Demographics

The benefit cliff is not distributed evenly across New York City's population. Its weight falls along lines that are neither accidental nor surprising, given the demographic composition of the city's low-wage workforce and the geographic concentration of poverty across its boroughs. Understanding who bears the burden is not merely a descriptive exercise. It is essential to understand why the cliff persists, and why its costs remain so systematically invisible to the policymaker best positioned to address it.

4.1. Single-parent households and the childcare nexus

No household type is more acutely exposed to the benefit cliff than the single-parent family, and the mechanism is almost always childcare. For a two-parent household, the loss of a childcare subsidy is a serious financial setback. For a single parent, it can be the difference between labor force participation and its absence entirely, since there is no second earner to cover care costs while the first continues working. The FPWA's 2025 True Cost of Economic Security analysis found that 91 percent of single-parent households in New York City fall below the threshold required for basic economic security, and that childcare accounts for 14 percent of annual household resources for the median family with children, nearly double the national average. These are not households that are close to self-sufficiency and are being held back by a marginal disincentive. They are households where the childcare subsidy is a precondition for employment itself.

The Virginia Department of Social Services benefit cliff analysis sharpens this further. Higher-earning participants, those earning roughly $34,000 annually, fared worse in net material terms than lower earners receiving full benefits. A household that has worked its way to $34,000 in annual earnings has, by conventional measures, made meaningful economic progress. In net resource terms, measured against total benefit loss, it may have moved backward [9]. This is the core perversity of the benefit cliff as it operates for single-parent households: the act of earning more can undo the material conditions that made earning more worthwhile in the first place.

4.2. Racial and ethnic disparities

The demographic concentration of benefit cliff exposure maps closely onto the racial geography of poverty in New York City. The CSS reported in 2023 that 24.8 percent of Hispanic and 21.7 percent of Black New York City residents lived in poverty, compared to 11.5 percent of White residents. The FPWA's 2025 analysis found that 78 percent of Latino and Latina households, 68 percent of Black households, and 63 percent of Asian American and Pacific Islander households in the city are economically insecure, against 43 percent of White households. These disparities reflect longstanding patterns of occupational segregation and unequal access to higher-wage employment. They also mean that the benefit cliff operates, in distributional terms, as a structure that imposes its heaviest costs on the communities that have historically had the least political capacity to demand its reform [10].

The Robin Hood Foundation's Poverty Tracker recorded that 26 percent of New York City children lived in poverty in 2023, the highest annual child poverty rate recorded by the Tracker since 2017, with female New Yorkers and New Yorkers of color experiencing higher rates of all forms of disadvantage. Child poverty at that scale is not a temporary condition for most of the families it touches. It is an intergenerational inheritance, reproduced in part by a benefit structure that penalizes the attempts of low-income parents to earn their way out of it.

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4.3. The distribution of cliff exposure

The workers most directly exposed to the benefit cliff in New York City are concentrated in a specific set of occupations: home health aides, childcare workers, food service employees, and retail staff in low-income neighborhoods like the South Bronx, East New York, and Central Harlem. These industries share a common wage trajectory that reliably intersects benefit phase-out thresholds at the precise moment when workers are making their first meaningful upward moves. The CSS's 2024 Annual Survey of Housing and Economic Security, drawing on a sample of 2,400 New York City residents, found that among respondents who had taken deliberate action to preserve their benefit eligibility, 38 percent were already working full or part time. The workforce these numbers describe is not disengaged from the labor market. It is actively employed and actively constrained, making calculated decisions about earnings in response to a benefit structure that punishes advancement.

Benefit recipients' willingness to accept earnings increases was significantly dampened not only by the direct prospect of benefit loss but by the difficulty of reinstating benefits once lost, since most households that exit a program must reapply from scratch with no guarantee of timely re-enrollment. For workers in volatile, low-wage employment, where income can fluctuate month to month, this asymmetry is not abstract. The rational response is to treat benefit eligibility as a form of insurance and to protect it through considerable sacrifice of potential earnings, which is precisely what the CSS survey data shows a significant share of New York City workers doing.

5. Net income simulation

The simulation presented here models the net annual resources available to a representative New York City household across seven gross earnings levels, ranging from $15,000 to $45,000 annually in $5,000 intervals [11]. The household is defined as a single parent with one preschool-age child residing in one of the five boroughs, working full time. This household type is chosen deliberately: it represents the configuration most acutely exposed to the benefit cliff, and it approximates the modal demographic profile of low-wage essential workers in the city's home health, childcare, and food service sectors documented in Section IV.

Net resources at each income level are calculated as gross earned income plus the total annual value of means-tested benefits received, minus estimated federal and New York State income tax liability and payroll taxes. Four benefits are included. First, SNAP allotment values are drawn directly from the NYC HRA SNAP benefit calculator, run at each income interval for a household of two with earned income and dependent care expenses; these figures are the primary original data contribution of this simulation. Second, the ACS childcare subsidy is modeled using the NYC Comptroller's 2025 reported annual cost of center-based care at $26,000 as the gross cost of care, reduced by the family share co-payment calculated under the OCFS formula, which sets the family share at one percent of gross annual income exceeding the applicable state income standard. The official NYC ACS income eligibility table confirms that a household of two remains eligible for childcare assistance at all income levels modeled here, up to the program ceiling of $73,869 annually. Third, Medicaid is treated as a binary benefit valued at the average annual Medicaid expenditure per adult enrolled in New York State, assigned at full value below the 138 percent federal poverty level threshold and zero above it, consistent with the program's abrupt rather than graduated exit structure. Fourth, EITC values are calculated using IRS published phase-in and phase-out schedules for a single filer with one qualifying child for tax year 2024 [12].

Two limitations apply. The simulation excludes Section 8 housing assistance because NYCHA's general waitlist has been effectively closed to new applicants since 2009, rendering it an unreliable

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assumption for a representative household. It also excludes the nonmonetary transaction costs of benefit reapplication documented, meaning the net resource losses captured here are conservative estimates of the cliff's true cost to households.

5.1. Results

Table 2 presents the full simulation results. SNAP allotment values derived from NYC HRA SNAP benefit calculator, households of two with earned income and dependent care expenses. ACS childcare subsidy modeled as $26,000 annual cost of center-based care (NYC Comptroller, 2025) minus family share co-payment per OCFS formula (1% of income exceeding state income standard). Eligibility confirmed against official NYC ACS income table, ceiling $73,869 for household of two. ‡Medicaid valued at estimated average annual Medicaid expenditure per adult enrollee, New York State. Binary assignment: full value at or below 138% FPL ($26,404 for household of two), zero above. §EITC calculated per IRS Publication 596, single filer with one qualifying child, tax year 2024 [13].

Table 2. Estimated net annual resources: NYC single parent with one preschooler (2024–2025)

Gross annual income	SNAP* (annual)	ACS childcare subsidy	Medicaid value	EITC	Total benefits	Est. tax liability	Net annual resources
$15,000	$6,096	$25,850	$6,200	$3,995	$42,141	$1,148	$55,993
$20,000	$2,496	$25,700	$6,200	$3,618	$38,014	$1,532	$56,482
$25,000	$696	$25,500	$6,200	$2,388	$34,784	$1,913	$57,871
$30,000	$0	$25,250	$6,200	$1,158	$32,608	$2,295	$60,313
$35,000	$0	$25,000	$6,200	$0	$31,200	$2,678	$63,522
$40,000	$0	$24,750	$0	$0	$24,750	$3,060	$61,690
$45,000	$0	$24,500	$0	$0	$24,500	$3,443	$66,057

5.2. Interpretation of data

The results reveal a more nuanced pattern than a single dramatic cliff event. SNAP benefits taper relatively gradually, falling from $6,096 annually at $15,000 in gross earnings to zero at $30,000, producing a modest but steady erosion of net resources that is partially offset by EITC accumulation at lower income levels. The net resource trajectory through the $15,000 to $35,000 range is consequently positive, rising from $55,993 to $63,522 as gross earnings increase. This portion of the income distribution does not produce a cliff in the strict sense. It produces a compressed return to work, where each additional $5,000 in gross earnings yields a net resource gain of only $1,500 to $2,500 after accounting for benefit reductions and tax liability, implying an effective marginal retention rate well below what a worker without benefit exposure would experience.

The genuine cliff event occurs at the Medicaid threshold. Between $35,000 and $40,000 in gross annual earnings, the household crosses 138 percent of the federal poverty level and loses Medicaid coverage entirely. Net resources fell from $63,522 to $61,690, a reduction of $1,832 produced by a $5,000 increase in gross earnings. The effective marginal tax rate at this interval is approximately 137 percent. While less dramatic than the 173 percent spike identified by the Federal Reserve Bank of Atlantain comparable urban benefit environments, it is economically meaningful: a household

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earning $40,000 is materially worse off than one earning $35,000, even before accounting for the cost of replacement health coverage on the marketplace [14].

The deeper structural finding, however, is the recovery problem. After losing Medicaid at $40,000, net resources begin rising again as earnings increase and the childcare subsidy remains intact, reaching $66,057 at $45,000. But the household does not sustainably surpass its $35,000 net resource level until gross earnings reach approximately $45,000, and it does not approach genuine self-sufficiency as defined by the 2021 Self-Sufficiency Standard for the Bronx until gross earnings reach approximately $67,000, a figure that represents full-time employment at roughly $32 per hour. For a home health aide or childcare worker in New York City, that income level is not a realistic near-term trajectory. The gap between the top of the benefit cliff and the floor of genuine self-sufficiency is not a step. It is a chasm of roughly $22,000 in annual gross earnings, and the benefit of architecture provides no bridge across it [15].

6. Policy implications

The simulation in Section V makes the diagnosis precise enough to make the prescriptions specific. The benefit cliff in New York City is not a single problem with a single fix. It is a set of distinct structural failures occurring at different income thresholds, in different programs, under different administrative authorities. The policy response therefore needs to be disaggregated in the same way, distinguishing between what can be done administratively within existing program rules, what requires state legislative action, and what requires federal reform or waiver authority. Not all of these interventions carry equal weight, and not all are equally feasible in the near term. What follows is an evaluation of the most substantively significant options, ordered by the income threshold at which each intervention would have the greatest impact.

6.1. Graduated phase-out of the ACS childcare subsidy

The simulation demonstrates that the childcare subsidy cliff is by far the most severe source of net resource loss in the benefit architecture facing low-income New York City families. The Fiscal Policy Institute has quantified this directly: a family earning just above the CCAP income ceiling loses access to benefits worth as much as $21,000, with no graduated reduction and no transitional period [16]. The Federal Reserve Bank of Atlanta's career pathway research identified childcare subsidy phase-out as the primary driver of effective marginal tax rate spikes in comparable benefit environments, and the mechanism the simulation confirms is consistent with their findings [17].

The most direct intervention is converting the ACS childcare subsidy from a hard income cutoff to a graduated co-payment structure that increases proportionally with income rather than terminating abruptly. New York State Assembly Bill A05413, introduced in February 2025, would do precisely this. The bill, titled the "Help Parents Find and Afford Child Care Act," would require OCFS to develop a phased implementation plan capping co-payments at no more than seven percent of family income by 2030, establish a graduated co-payment system explicitly designed to eliminate the benefit cliff effect, and expand eligibility consideration to families earning up to 250 percent of state median income. The bill also mandates automatic enrollment mechanisms tied to Medicaid and WIC eligibility determinations, directly addressing the administrative burden documented. This legislation is currently on the committee. Its passage would represent the single most consequential reform available to New York policymakers for addressing the benefit cliff as this paper has documented it.

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The Section 8 Housing Choice Voucher program offers the relevant design precedent. Under its existing structure, participants contribute approximately 30 percent of adjusted gross income toward rent, with the federal subsidy covering the remainder, meaning the benefit scales continuously with earnings rather than disappearing at a fixed threshold. HUD and subsequent research have consistently documented that this graduated structure prevents the abrupt net resource losses that characterize hard-cutoff programs, and it is precisely this feature that makes the Section 8 program the only major means-tested program in the city's benefit portfolio that does not generate a cliff event in the simulation. The childcare subsidy does not need to be redesigned from scratch. It needs to adopt the income-scaling logic that housing assistance already uses [17].

6.2. Transitional benefit bridges

The second category of intervention addresses the period immediately following benefit loss, which identifies as particularly damaging because households that lose benefits typically must reapply from scratch with no guarantee of timely re-enrollment. Federal law already authorizes a partial solution. Under current statute, states have the option to provide up to five months of transitional SNAP benefits to households leaving TANF, without requiring reapplication, with the benefit frozen at the amount received prior to exit and adjusted for the loss of TANF income. As of October 2024, 24 states have adopted this option. Connecticut has implemented the full five-month transitional benefit, extending categorical SNAP eligibility to households with gross income up to 200 percent of the federal poverty level under broad-based categorical eligibility rules. Maine enacted a bipartisan package of legislation in 2019, referred to as the Invest in Tomorrow package, that increased income disregards in TANF, invested in whole-family pilot programs, and authorized an increase in TANF funds for transitional food and childcare assistance [18].

New York already adopted a version of the transitional SNAP option under regulation in 2001. The more pressing need, as the simulation makes clear, is a comparable transitional bridge for childcare assistance, which currently offers no equivalent protection. A household that loses its ACS childcare voucher upon crossing an income threshold has no grace period, no transitional subsidy, and no automatic pathway back into the program if income subsequently falls. New York City could advocate for state legislative action establishing a six-month transitional childcare benefit for families exiting CCAP eligibility due to earned income increases, modeled on the SNAP transitional benefit structure, and funded through a combination of existing TANF flexibility and state childcare block grant funds.

6.3. Medicaid coverage continuity

The simulation identifies the Medicaid threshold as the second most significant cliff event in the income range modeled here. The effective marginal tax rate at the $35,000 to $40,000 interval reflects primarily the loss of health coverage valued at approximately $6,200 annually. Connecticut's response to this problem is instructive. The state established Covered Connecticut, a program providing Medicaid-equivalent coverage at no cost to households with incomes between 138 and 175 percent of the federal poverty level, directly bridging the gap between Medicaid eligibility and marketplace subsidies. Maine similarly extended Transitional Medical Assistance, providing one year of continued Medicaid to families whose income rises above the eligibility threshold due to earned income [19].

New York already offers some Medicaid continuity provisions, but the gap between Medicaid eligibility and meaningful marketplace affordability remains substantial for the income range most

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affected by the cliff. Expanding the state's Essential Plan, which currently covers adults up to 200 percent of the federal poverty level at zero premium, would meaningfully compress the effective marginal tax rate at the Medicaid threshold and represent an administratively feasible option within existing waiver authority under the ACA.

6.4. The Limits of administrative reform

It would be intellectually dishonest to present these interventions without acknowledging the structural constraint that binds all of them. The AEI report on benefit cliff reform notes, correctly, that a common proposal to address benefit cliffs is to extend program eligibility to higher-income households so that benefits phase out more gradually, but that the trade-offs of such an approach, particularly its fiscal cost, are substantial. The Congressional Research Service confirms that transitional SNAP benefits, while authorized, require state administrative investment to implement and are not adopted by 26 states despite being available. New York State Assembly Bill A05413 has been in committee since February 2025 with no floor vote scheduled [20].

The IRP at the University of Wisconsin notes a further limit: many low-income workers cannot choose their hours or wages with sufficient precision to optimize around benefit thresholds, which means that even a perfectly graduated phase-out would not eliminate all of the mobility constraints the benefit cliff currently imposes [21]. The cliff is partly an income problem and partly a labor market problem, and the policy interventions available within the benefit system cannot fully substitute for broader labor market reforms, including sector-level wage increases and occupational advancement pathways, that would raise workers through income distribution faster than the benefit architecture can currently follow.

What the interventions evaluated here can accomplish is more modest but still meaningful. They can eliminate the most severe cliff events, reduce the effective marginal tax rates that make wage increases net-negative at specific income intervals, and extend the transitional period during which households can absorb earnings gains without catastrophic benefit loss. That is not a complete solution. It is the partial, fiscally bound, administratively feasible version of one, and it is the version that New York City can pursue without waiting for federal program redesign.

This paper began with an arithmetic problem. A worker earning $35,000 annually in New York City, receiving the full complement of means-tested benefits available to a single parent with one preschool-age child, commands net annual resources of approximately $63,500. The same worker offered a raise to $40,000, loses Medicaid coverage and approaches the practical ceiling of ACS childcare eligibility, reducing her net resources to approximately $61,700.The benefit cliff is not a metaphor for a complex social problem. It is a specific, calculable feature of the program architecture that governs the lives of a significant share of New York City's low-wage workforce, and it produces outcomes that no defensible theory of welfare economics would endorse.

The analysis in the preceding sections has tried to establish three things. First, that the cliff is structurally produced rather than incidentally caused. It emerges not from the failure of any single program but from the interaction of multiple programs whose individual designs are each defensible and whose collective effect is not. The nonconvex budget constraint Moffitt identified is not a theoretical abstraction in New York City. It is an empirical reality visible in the simulation data, concentrated most severely at the Medicaid threshold and in the childcare subsidy phase-out, and distributed with pronounced inequality across single-parent households, Black and Hispanic communities, and the essential workers who staff the city's home health, childcare, and food service sectors.

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Second, the defenders of means-testing and its critics are largely answering different questions. The evidence that the safety net reduces poverty is robust and should not be dismissed. The CBPP's synthesis finding that work disincentive effects are modest in aggregate is a real finding, not a motivated one [22]. But aggregate findings obscure the distributional reality that the cliff's costs fall on a specific and identifiable population: workers who are trying to advance, who have already absorbed the message that work is the path to self-sufficiency, and who find at a particular income threshold that math does not cooperate. For those workers, the question is not whether the safety net reduces poverty in the aggregate. It is whether it allows them, specifically, to leave it.

Third, that policy interventions capable of addressing the most severe cliff events exist, are partially implemented in other states, and in some cases are already moving through the New York State legislature. The graduated co-payment structure proposed in Assembly Bill A05413, the transitional benefit bridge model demonstrated by Connecticut and Maine, and the Medicaid continuity provisions available under existing waiver authority are not radical departures from means-tested program logic. They are modifications to the exit architecture of programs that currently function reasonably well at entry and catastrophically at the threshold of departure. The Section 8 Housing Choice Voucher program, which scales participant contributions continuously with income rather than terminating at a fixed threshold, demonstrates that this design is not only theoretically sound but administratively operational at scale.

7. Conclusion

This paper has attempted to contribute beyond the existing literature is a granular, NYC-specific account of where and how the cliff operates, grounded in program data specific to this city's benefit architecture and cost environment. The net income simulation, built from HRA calculator outputs and official program schedules, locates the cliff with more precision than national or state-level analyses typically allow. The finding that the gap between the top of the benefit cliff and the floor of genuine self-sufficiency in the Bronx represents approximately $22,000 in annual gross earnings is not a figure derivable from national poverty statistics. It is a product of New York City's specific combination of high program density, high cost of living, and federally determined eligibility thresholds that take no account of either. The broader implication extends beyond program design. A city that depends on home health aides, childcare workers, and food service employees to function, and that simultaneously operates a benefit architecture that penalizes those workers for advancing in their careers, is not merely tolerating an inefficiency. It is actively subsidizing stasis. The FPWA's 2025 finding that 91 percent of single-parent households in New York City fall below the threshold required for basic economic security is not a statement about individual failure. It is a statement about structural design. And structural problems, as the policy interventions evaluated in Section VI suggest, are amenable to structural solutions, provided the political will to pursue them can be assembled.

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