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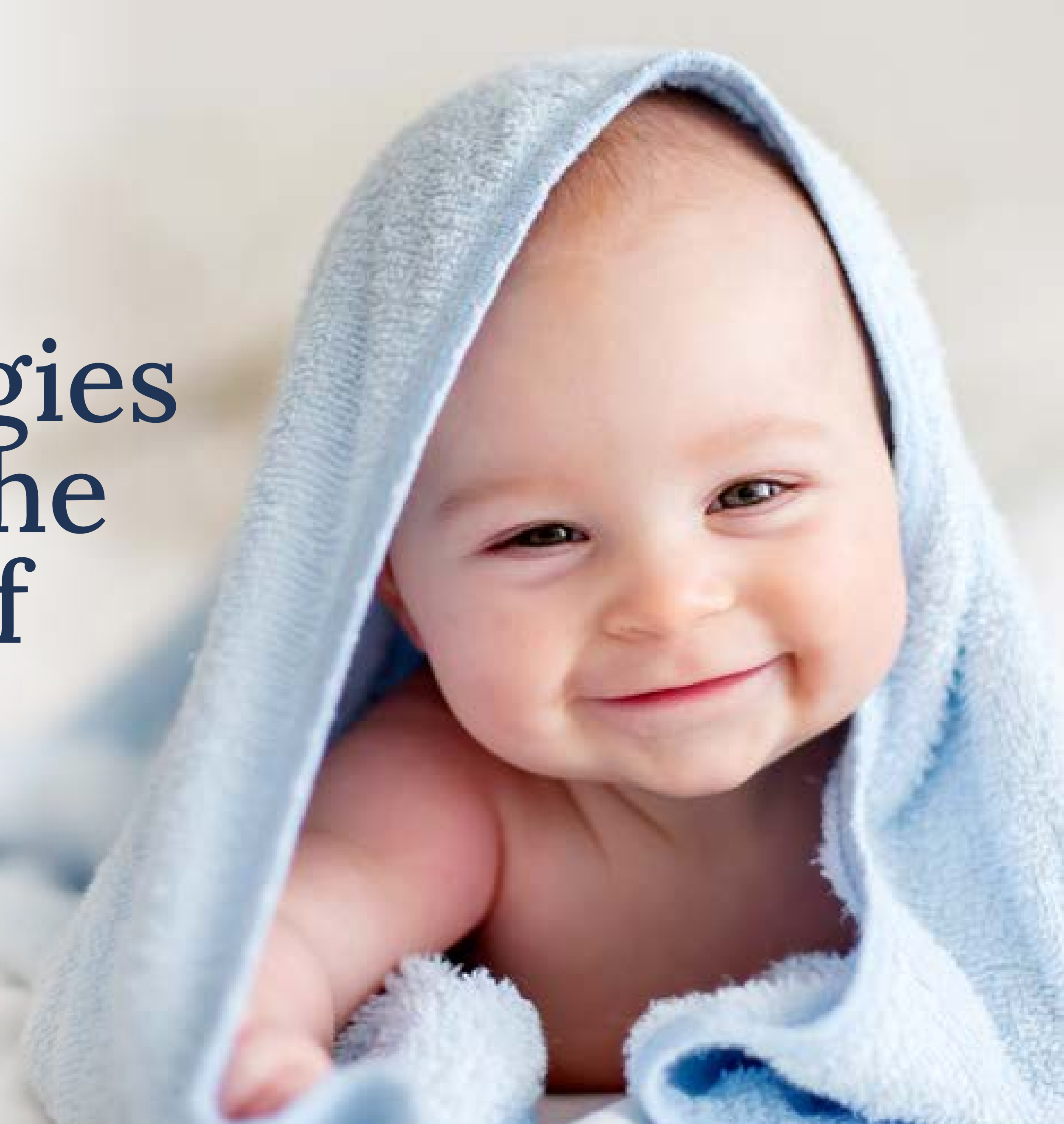
POLICY BRIEF

State Strategies to Address the Benefits Cliff



SEPTEMBER 2026

STATE POLICY

Millions of families across the country access public assistance programs such as the Supplemental Nutrition Assistance Program (SNAP), child care subsidies, Medicaid, and Temporary Assistance for Needy Families (TANF) to help meet their basic needs. Yet for some families, earning higher wages or working additional hours can result in a sudden loss of benefits that ultimately leaves them financially worse off despite earning more.

The **"benefits cliff"** refers to a structural challenge within public assistance systems in which small increases in earned income trigger disproportionate losses in benefits. Rather than experiencing a steady increase in income as wages rise, families may encounter sharp declines in total household resources when they cross program eligibility thresholds.

The consequences of the benefits cliff are far reaching. When increased earnings result in a decrease in total resources, families may delay accepting additional work hours or promotions,[i] which creates challenges for employers seeking to promote and retain workers.[ii] Research suggests that 22% of workers with low wages enrolled in any public benefit program reported taking at least one action to avoid losing benefits, including declining additional work hours, raises, promotions, or job opportunities.[iii]

To address these challenges, state leaders are increasingly exploring policies that align public assistance systems, phase out benefits more gradually, and support long-term economic mobility.[iv] This brief provides an overview of these approaches, select state examples, and considerations for policy design and implementation. Although many of these examples are program-specific, they can inform or inspire similar approaches across other public benefit programs.

Rethinking how public assistance systems work together to reduce fragmentation, improve coordination across programs, and help families better navigate changes in benefits.

Phasing out benefits more gradually by redesigning eligibility policies to reduce abrupt losses in assistance and create smoother transitions as families' earnings increase.

Investing in work and economic mobility by supporting education, employment, and career advancement while helping families achieve long-term financial independence.

[i] NCSL. (Dec. 2024). *Introduction to Benefits Cliffs and Public Assistance Programs*. National Conference of State Legislatures. https://www.ncsl.org/human-services/introduction-to-benefits-cliffs-and-public-assistance-programs

[ii] CLIFF in Action (2021). *Employer Engagement*. Federal Reserve Bank of Atlanta. www.atlantafed.org/what-we-study/workforce-development/advancing-careers-for-low-income-families/cliff-in-action

[iii] https://www.ncsl.org/human-services/introduction-to-benefits-cliffs-and-public-assistance-programs Roll, S., Miller, S., & Despard, M. (2025). *The impact of benefits cliffs and asset limits on low-wage workers: New evidence from a nationally representative survey* (CSD Research Brief No. 25-07). Center for Social Development, Washington University in St. Louis. https://doi.org/10.7936/5ykn-5z34

[iv] American Public Human Services Association. (n.d.). *Benefits Cliffs Resource Hub*. https://aphsa.org/benefit-cliff-dashboard/

Rethinking How Public Assistance Systems Work Together

Public assistance programs often operate in silos, which can create significant administrative burdens for both families and state agencies. Because programs were developed independently, they operate under different eligibility rules, income calculations, reporting requirements, and timelines for benefit adjustments. As a result, families must navigate a complex network of agencies and policies while attempting to understand how changes in employment or earnings will affect eligibility across several sources of support.

State agencies may also face increased administrative demands as separate departments process applications, eligibility renewals, and income reporting for the same family. This duplication of effort can increase administrative costs and reduce efficiency.

Improving coordination across public assistance programs and providing families with clearer information about how changes in earnings affect their benefits may help mitigate these concerns. State leaders have addressed these systemic challenges by aligning eligibility systems and developing benefits modeling and navigation tools.

Aligning Eligibility Systems

States can reduce administrative complexity and mitigate the benefits cliff by aligning eligibility rules, income calculations, reporting requirements, and benefit phase-out policies across public assistance programs. Better coordination can help families navigate changes in benefits as earnings increase while reducing administrative challenges for state agencies.

Connecticut: S.B. 1080 (2019) directed the development of the 2Gen Interagency Plan to improve coordination across state agencies by establishing strategies for cross-agency data sharing, coordinated service delivery, and shared performance measures. Through the 2Gen Advisory Board, state agencies, legislators, parents, and community partners studied the cliff effect, identified policy best practices, and explored ways to better align public assistance programs and support families as earnings increase.

Colorado: H.B. 1259 (2022) was enacted to better align TANF eligibility with other public assistance programs (e.g., SNAP). The law updated income calculations, required future cost-of-living adjustments, expanded earned income disregards, and increased base TANF benefits by 10%. Together, these changes were meant to allow families to maintain benefits as earnings increase and help ensure the program remains responsive to rising costs and changing economic conditions. A 2025 evaluation found that these changes reduced the number of families who returned to TANF shortly after exiting the program, increased participation among eligible families, and improved transitions to self-sufficiency, as families were better able to maintain stable employment and support themselves without continued TANF benefits.

Broad-Based Categorical Eligibility (BBCE)

BBCE gives states flexibility to use SNAP income or asset limits that are more generous than the federal baseline. States do this by connecting households to a noncash benefit or service funded through the TANF program. In practice, states can use BBCE to apply higher income limits and relax or eliminate asset tests, allowing some households with modest earnings and savings to remain eligible for SNAP as their financial circumstances improve, allowing families to accrue more savings and better respond to their own emergent needs as they move towards economic independence.

Currently, 43 states implement BBCE, including **Alaska**, which enacted legislation in 2023 (H.B. 344) and **Tennessee**, which adopted the policy through the rulemaking process in 2026.[v]

[v] Rosenbaum, D. (March 2026). *SNAP's "Broad-Based Categorical Eligibility" Supports Working Families, Older Adults, and Those Saving for the Future*. Center on Budget and Policy Priorities. https://www.cbpp.org/research/food-assistance/snaps-broad-based-categorical-eligibility-supports-working-families-older. Updated from March 2026 to reflect enacted policy changes in July 2026.

Benefits Modeling and Navigation Tools

Benefits modeling and navigation tools help families, employers, and case managers understand how changes in earnings may affect eligibility for public assistance programs and impact overall household resources. By increasing transparency, these tools can support more informed employment and education decisions while allowing families to financially plan for income shifts as they work towards economic stability without public assistance.

Kentucky: In 2022, legislators established the Benefits Cliff Task Force to examine how the benefits cliff affects families across the state and develop policy recommendations. Based on the task force's findings, H.J.R. 39 (2023) required the development of a benefits cliff calculator to help families understand how changes in income may affect eligibility for public assistance.

Massachusetts: In 2019, the state developed CommonCalc, a benefits calculator designed to help case managers assess how wage increases may affect eligibility for public assistance programs and impact overall household resources. The tool was developed as part of the state's Learn to Earn Initiative, which helps individuals receiving public assistance pursue education, credentials, and employment while navigating changes in benefits as earnings increase.

Career Ladder Identifier and Financial Forecaster (CLIFF) Tools

The Federal Reserve Bank of Atlanta's CLIFF Tools are benefits modeling tools designed to illustrate how changes in wages, work hours, or career pathways may affect public benefit eligibility and overall household resources over time. By modeling the short- and long-term financial impacts of career advancement, the tools help families anticipate the benefits cliff, evaluate employment and education options, and make informed decisions as they work toward long-term economic self-sufficiency. In addition to supporting individual planning, the tools have informed benefits cliff planning and workforce initiatives in multiple states.

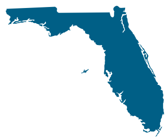
Phasing Out Benefits Gradually

Several eligibility features of public assistance systems can contribute to the benefits cliff. Currently, many state programs rely on hard income eligibility cutoffs that can cause families to lose assistance abruptly after relatively small increases in earnings. Additionally, asset limits may inadvertently discourage families from building emergency savings or accumulating resources that support long-term financial stability. Differences in eligibility rules, reporting requirements, and recertification timelines across programs can further complicate transitions as earnings increase.

State leaders are exploring policies that seek to address these challenges by allowing benefits to phase out more gradually as families increase earnings. Common approaches include transitional benefits and tiered benefit reductions, earned income disregards, and asset and income protections.

Transitional Benefits and Tiered Benefit Reductions

Transitional benefits and tiered benefit reductions allow families to retain partial assistance as earnings increase rather than experiencing an abrupt loss of benefits. These approaches help families gradually assume greater financial responsibility while encouraging continued employment and career advancement. Policies vary in their design, ranging from temporary continuation of benefits to graduated reductions in assistance as income rises.

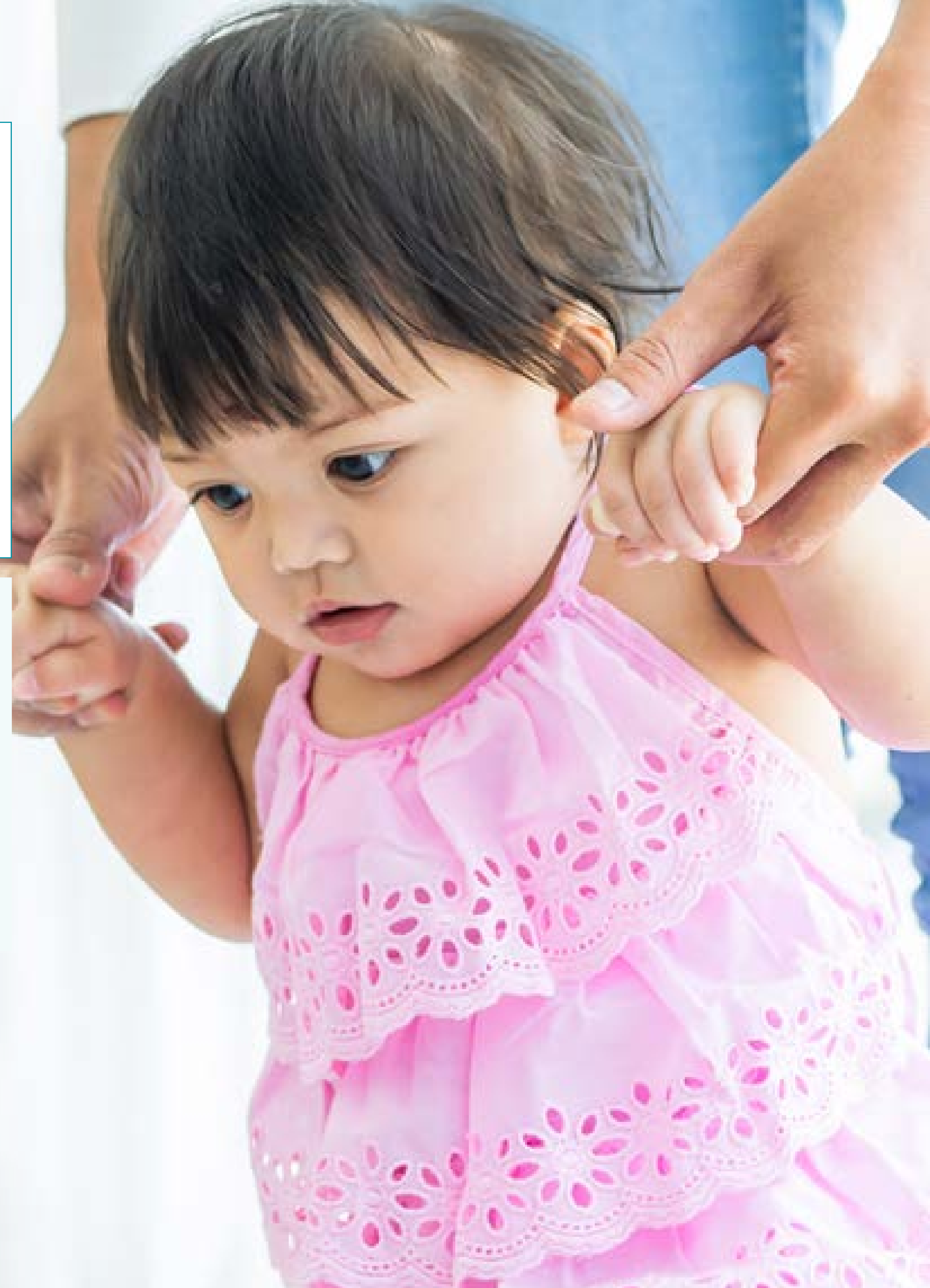


Florida: H.B. 1267 (2024) was enacted to address the child care benefits cliff by establishing the School Readiness Plus program. The program allows families to remain eligible for child care subsidies until their household income reaches 100% of the state median income, rather than the subsidy program's limit of 85%. The family is responsible for paying a higher share of their income as their wages increase, creating a more gradual transition. The bill also established case management services and requires the use of a financial forecasting tool to help families understand how changes in earnings may affect public benefits during times of economic transition.

Missouri: S.B. 45 (2023) established a framework for transitional benefits across SNAP, TANF, and child care subsidy programs. Although the TANF and SNAP provisions remain subject to appropriations and additional approvals, the legislation expanded the state's transitional child care subsidy program statewide. The program allows eligible families to retain partial benefits up to around 200% of the federal poverty level (FPL) and gradually pay a slightly higher copayment rather than the full cost of care.[vi]

Federal Flexibility for Transitional Benefits

SNAP Transitional Benefits Alternative (TBA): TBA provides households leaving TANF or certain state-funded cash assistance programs with up to 5 months of transitional SNAP benefits while eliminating interim reporting requirements. As of August 2026, 24 states have adopted this temporary extension that helps families maintain food assistance as they transition to higher earnings.



[vi] *November 2025 Child Care Subsidy Income Limits and Sliding Fee Chart | Missouri Department of Elementary and Secondary Education.* (Nov. 2025). Mo.gov. https://dese.mo.gov/childhood/media/pdf/november-2025-child-care-subsidy-income-limits-and-sliding-fee-chart

Earned Income Disregards

Earned income disregards exclude a portion of a family's earnings when determining eligibility for public assistance. States have adopted targeted disregards for earnings associated with education and workforce training, new employment, increased work hours or wages, and employment in high-demand occupations, allowing families to increase their earnings without immediately losing assistance.

Indiana: H.B. 1009 (2021) allows up to $15,000 in earnings to be disregarded for TANF eligibility determinations if those earnings are earned by a household member pursuing a postsecondary degree, workforce certificate, pre-apprenticeship, or apprenticeship.

New Hampshire: In 2022, New Hampshire launched a 2-year TANF pilot that expanded earned income disregards following recommendations from the state's Benefits Cliff Initiative. Participants beginning a new full-time position or increasing their work hours to at least 28 hours per week may disregard 75% of earned income when determining TANF eligibility, whereas those employed in designated high-demand occupations may disregard 100%.

Maine: H.P. 50 (2023) allows TANF recipients to disregard 100% of earnings during the first 3 months of new employment or increased earnings received while participating in TANF, and 75% of earnings during the following 3 months.

South Dakota: The state applies a 4% earned income disregard when calculating countable income for child care subsidy eligibility.

Asset and Income Protections

Asset and income protections reduce penalties associated with building savings or receiving additional financial resources while participating in public assistance programs. These policies exclude certain assets, savings, retirement accounts, and income sources from eligibility determinations, which helps families build financial security without immediately losing assistance.

Alaska: The Permanent Fund Dividend, an annual cash payment distributed to most Alaskans, is excluded when determining income eligibility for child care subsidies.

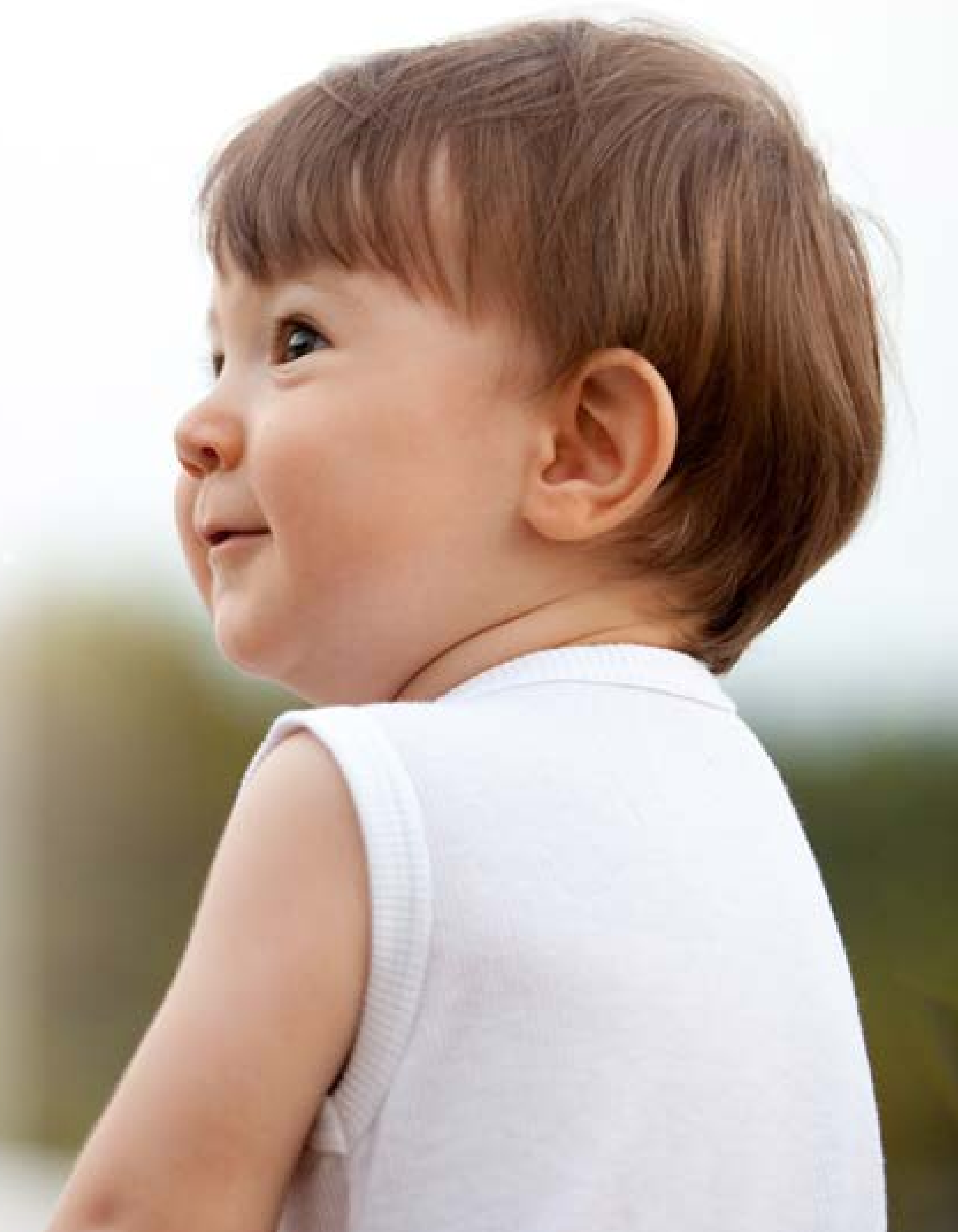
Indiana: H.B. 1361 (2022) allows families to retain up to $10,000 in increased assets without losing eligibility for assistance programs.

Nebraska: L.B. 533 (2021) expanded exclusions for education savings accounts, scholarships, work-study income, and other assets when determining eligibility for assistance programs. In 2024, the state also enacted L.B. 233, which allows a portion of child support payments to be passed directly to families without reducing TANF benefits.

Maine: H.P. 592 (2023) increased the TANF asset limit to $10,000 per family (up from $2,000) and exempted one vehicle per licensed driver, allowing families to retain essential assets without losing eligibility.

Washington: H.B. 1447 (2023) exempted retirement funds, pension plans, and retirement accounts from eligibility determinations and increased the amount of other assets that families may retain from $6,000 to $12,000 without losing eligibility for assistance.

Investing in Work and Economic Mobility



State leaders increasingly recognize the benefits cliff as a workforce and economic mobility challenge. When modest increases in earnings are insufficient to replace the value of lost benefits, workers may be discouraged from accepting promotions, increasing work hours, pursuing further education, or moving into higher paying jobs. These dynamics affect both families pursuing economic independence and employers seeking to recruit, retain, and advance workers.

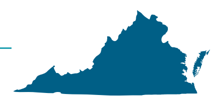
In response, states are investing in policies and programs that help families increase earnings while maintaining benefit eligibility and navigating changes in public assistance. Common approaches include education, workforce training, wraparound supports, coaching, and transitional support.

Education, Training, and Wraparound Supports

Education, workforce development, and subsidized employment programs help individuals obtain the credentials, skills, and work experience needed for higher-paying employment. By pairing these opportunities with wraparound supports such as transportation, child care, case management, career coaching, tutoring, and work-study opportunities, states can reduce barriers to participation and help individuals successfully complete their education, gain work experience, and transition to employment.

Arkansas: The Career Pathways Initiative provides education, training, counseling, transportation assistance, and tuition assistance to young parents who receive public benefits or meet income eligibility requirements. The program is designed to help participants increase earnings through education and workforce development while reducing the risk that participants will abruptly lose public assistance benefits.

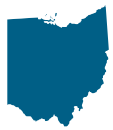
Kentucky: The Ready to Work Program partners with Kentucky's community and technical colleges to help TANF recipients pursue postsecondary education while receiving comprehensive support services. Through campus-based coordinators, participants receive education and career planning, case management, tutoring, work-study opportunities, and assistance accessing supports such as child care and transportation. Work-study participants may also earn wages without reducing their public benefits, allowing them to gain work experience and pursue postsecondary credentials while maintaining financial stability.



Virginia: The Full Employment Program, enacted in 2021 through H.B. 2035, is a subsidized employment initiative within the Virginia Initiative for Education and Work, the state's workforce program for TANF recipients. Employers receive financial support to hire and train participants, while participants continue receiving TANF benefits as they earn wages. This approach helps participants gain work experience, strengthen job skills, and increase earnings without facing immediate benefit loss.

Coaching and Transitional Support

Coaching and transitional support programs help families understand how changes in earnings may affect public benefits while providing individualized guidance and possible financial assistance during periods of transition. Rather than focusing solely on financial literacy, these approaches pair families with dedicated coaches who help them navigate changes in public benefits, employment, education, and other social and economic challenges. By supporting families through periods of changing eligibility, these programs can help participants make informed employment decisions, maintain financial stability, and advance toward long-term economic mobility.



Ohio: Bridge Beyond Benefits is an 18-month pilot program in Cuyahoga County funded by the Ohio Department of Job and Family Services that provides wraparound supports, including peer mentors, case management, incentive payments, and financial coaching, to participants who recently lost benefits due to increased earnings. The program helps participants navigate benefit transitions and maintain progress toward long-term financial independence. Other counties in the state have rolled out similar programs supported by TANF funds and the state's general fund.

Tennessee: Our ChanceTN is a pilot program aimed at supporting families across 16 counties in navigating the benefits cliff. The program combines family-centered coaching, financial counseling, wraparound support navigation, and education and employment training.[vii] Participants work with dedicated coaches to anticipate how increases in earnings may affect benefits, while a transitional benefit is provided to some families to help cover expenses such as food, child care, housing, and health care when families experience reductions in public assistance.

[vii] K. Barnes, Beyond the Cliff at Martha O'Bryan Center, personal communication, July 29, 2026.

Considerations for State Policy Design

As states continue exploring strategies to address the benefits cliff, policymakers may consider how program design, workforce goals, administrative processes, state resources, and federal policy interact to shape families' experiences as they build financial independence.

Administrative Burden

Even when families remain eligible for assistance, administrative requirements can create barriers to maintaining benefits. Research on the administrative burden associated with SNAP participation suggests that policies such as longer recertification periods, BBCE, simplified income reporting, or a combination of multiple low-burden practices can increase participation among eligible families while reducing administrative costs.[viii] Efforts to address the benefits cliff may benefit from considering not only how benefits phase out, but also how administrative processes influence families' ability to maintain access to benefits during periods of changing employment and income.

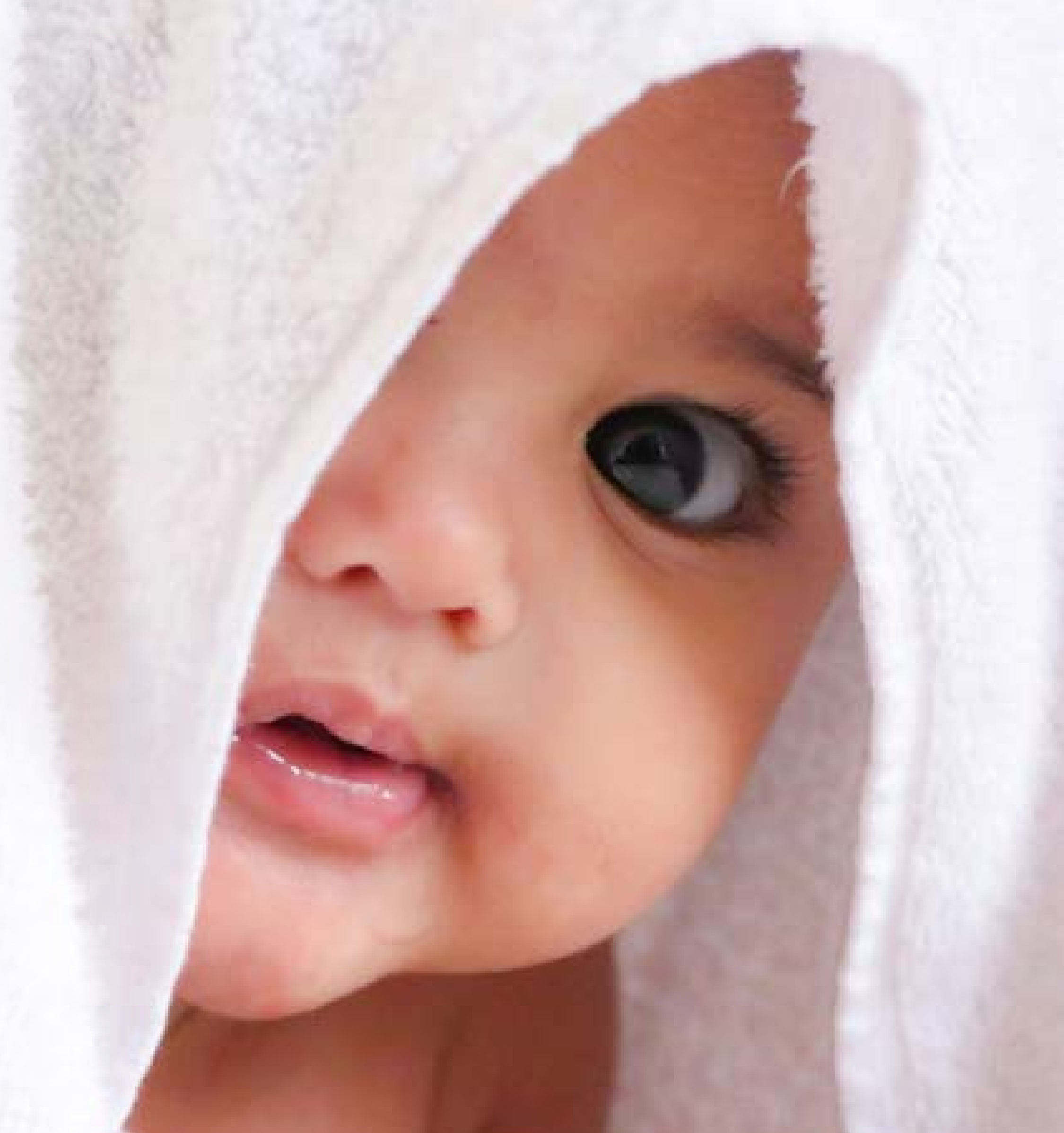
Federal Flexibility

States have different levels of flexibility across public assistance programs. Some strategies highlighted in this brief involve opt-in policies available to states under federal law, such as adopting BBCE with SNAP. Other public assistance programs may allow similar approaches that require federal approval, waivers, or the use of state funds to cover the cost.

State Investment

Policymakers may consider the availability of state funding and administrative resources to support the implementation and long-term sustainability of benefits cliff mitigation strategies, including investments in staffing, cross-agency coordination, and administrative capacity.

[viii] *Evidence Review: Reduced Administrative Burden for SNAP.* (2024). Prenatal-To-3 Policy Impact Center. https://pn3policy.org/wp-content/uploads/2024/10/PN3PIC_AdminBurdenSNAP_EvidenceReview_1024.pdf



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