



PUSHED TO THE PRECIPICE:

HOW BENEFITS CLIFFS AND FINANCIAL GAPS UNDERMINE THE SAFETY NET FOR NEW YORKERS

FPWA's newest report, asks why at least 1.5 million

working-age households in New York are unable to meet their basic needs but find that the benefits system is riddled with barriers to financial stability.

One of the ways that this system fails low-income households is when they try to address gaps in their finances but encounter a benefit cliff.

“BENEFITS CLIFFS” occur when an increase in wages results in the loss of a benefit(s) and the increase in income is not sufficient to offset the lost benefits—resulting in a net loss of income.

This policy report was issued April 2021.

FUTURE RESEARCH DIRECTIONS

FPWA’s future research will focus on further investigating financial gaps and considering transformational policy solutions to address them. Key examples of financial gaps from our report include:

Eligibility gaps - family earnings are above federal, state, or local eligibility thresholds for a benefit while still being too low to meet basic needs. For example, in 2018, 25% of New York’s food-insecure residents were estimated to have incomes above SNAP eligibility.

Coverage gaps - eligible families do not receive benefits because of waitlists, supply shortages, or other administrative and bureaucratic barriers. For example, underfunding of childcare subsidies has caused a limited supply of subsidies for eligible families.

Hardship gaps - a family’s resources, including public benefits, are too low to meet their basic needs. For example, the Public Assistance Shelter Allowance provides rental assistance that averages \$309 per month for a family of three, which is woefully inadequate to offset housing costs in many New York counties.

BENEFITS CLIFFS KEY TAKEAWAYS

We analyzed Medicaid, SNAP, childcare subsidies, the Earned Income Tax Credit, Child Tax Credit, and Child and Dependent Tax Credit.

We did not find benefits cliffs in the three tax credits, and New York has largely addressed cliffs for SNAP and Medicaid.

There is a significant childcare cliff, which families experience once their income crosses 200% FPL, or \$43,440 for a family of three and \$52,400 for a family of four.

Benefit phase-outs and exit thresholds offer short- and medium-term support for families facing benefit cliffs, and reducing the so-called “administrative churn” of benefits programs can also help families in need.

Benefits cliffs are only one way that benefits recipients experience “financial gaps,” an umbrella term for shortfalls between a person or family’s needs and their benefits eligibility.

For more information about FPWA’s Pushed to the Precipice report, please contact:

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