Bridging the Gap

Addressing Benefit Cliffs in West Virginia

By Jessi L. Troyan, PhD



CARDINAL INSTITUTE
FOR WEST VIRGINIA POLICY

Introduction

Across West Virginia, thousands of individuals face a paradox: working more can leave them worse off.

This phenomenon, known as a benefit cliff, occurs when small increases in earned income trigger sudden losses of public assistance, leaving individuals and their families with the same or even fewer material resources than before. Rather than serving as a bridge to self-sufficiency, the safety net can trap people in a stability that quietly forecloses mobility.

The Mountain State is particularly vulnerable to this dynamic with a baseline of the nation's lowest labor force participation rate and high reliance on food, medical, and childcare assistance programs. While such programs provide critical support, poor alignment among and across programs creates powerful disincentives to work and/or otherwise pursue upward mobility.

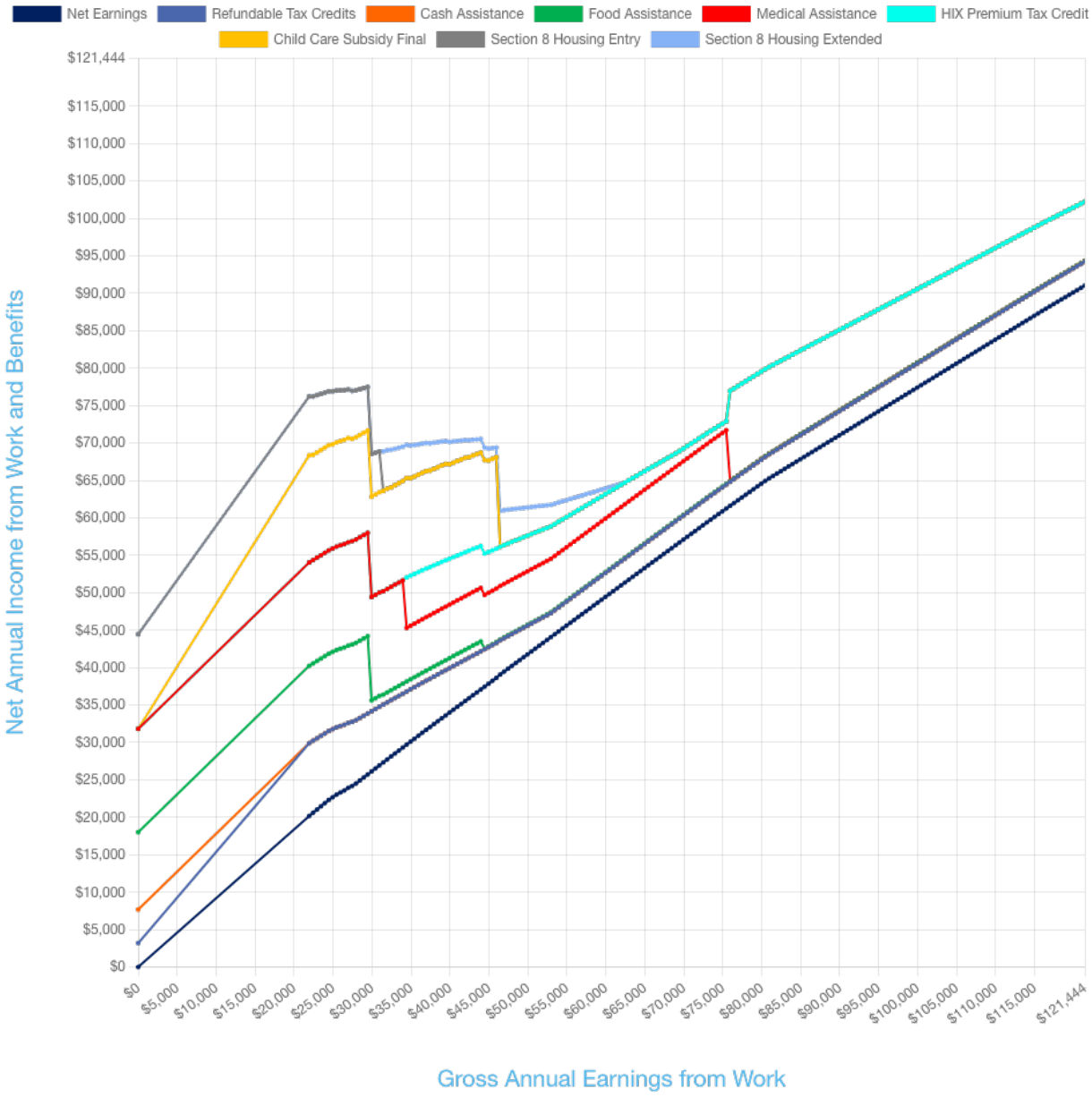
This report argues that benefit cliffs are not an inevitable feature of the safety net. Rather, they are the result of choices in policy design. Moreover, this report outlines a path forward for West Virginia based on the recommendations detailed in *Stranded by the Safety Net* published by the American Enterprise Institute and Alliance for Opportunity.

In pursuing reforms, West Virginia should hold to these principles:

- **Work always results in net financial gain**
- **Assistance is transitional, not permanent**
- **Programs are aligned to support upward mobility**

The goal is simple, but essential – replace cliffs with ladders.

Figure 1. Benefit cliffs scenario for a single parent with 2 children in West Virginia receiving assistance from all modeled programs[1]



Our 2023 report, *Benefit Cliffs and Disincentives to Work in West Virginia* lays out the magnitude and scope of these cliffs. In the case of a West Virginia single parent with two children that receives the full scope of assistance examined in the report, work steadily increases the family's material well-being until earnings move from $29,000 to $30,000. In that span, the parent encounters their first benefit cliff, sharply decreasing material well-being for the family. Due to cliffs in other programs, that family does not re-attain the same level of material well-being until earned income surpasses $77,000.

West Virginia in Context

West Virginia has long exhibited some of the most sobering statistics related to economic vitality and government dependence. Table 1 illustrates:

Table 1. Comparative statistics for safety net program participation

Metric	West Virginia	National
Labor Force Participation Rate	53.9%[2] (June 2026)	61.5%[3] (June 2026)
SNAP Enrollment (% of population)[4]	15.4% (FY 2025 monthly avg)	12.3% (FY 2025 monthly avg)
Medicaid Enrollment (% of population)[5]	26.6% (January 2025)	21.0% (January 2025)
TANF Caseload[6a] (% of population)	~0.27% (2024 avg)	~0.25% (2024 avg)
Child Care Subsidy Participation[b] (% of population)	~0.69% (April 2024)[7]	~0.43% (FY 2022 avg)[8]
Households Receiving Multiple Safety-Net Benefits	No clear state-level data found	27% – 2 programs 23% – 3 or more programs[9]

a. TANF figure is derived from author calculations.

b. Child care subsidy figures are derived from author calculations and are not time-period matched.

What Are Benefit Cliffs?

Public assistance programs are designed to help individuals meet basic material needs while moving towards independence in economically challenging times. In theory, that support is temporary. In practice, they often create perverse incentives that discourage progress.

One of these perverse incentives is a benefit cliff. These cliffs arise when small income gains are surpassed by losses in assistance. Put differently, a small raise in wages or increase in working hours can result in the loss of hundreds or thousands of dollars in assistance ultimately leaving the individual worse off or virtually no better off despite increased earnings.

These benefit cliffs occur, in part, because of the sheer volume of different programs operated by the federal government and the interactions that occur among them. Today, over 90 means-tested assistance programs exist in a tangled web. Generally, these programs are overseen by agencies within the federal government and administered by the states.

Means testing of these programs is designed to ensure that programs target help toward those with the least financial resources, gradually reducing and eventually ending assistance as participant incomes increase. In theory, this means that households would see 50 cents of each earned dollar, after accounting for benefit losses and taxes.

However, individuals receiving assistance from one program are often receiving assistance from another program. A report from the U.S. Department of Health and Human Services estimates that over half of all people receiving some benefit participated in more than one program.[10] Lack of alignment among programs erodes the functionality of means-testing leading to disconnects between intentions and implementation. When programs lack alignment across eligibility criteria and phase-outs, these gaps produce benefit cliffs that discourage work and hinder upward mobility.

Examples of Benefit Cliffs

As referenced in the introduction, West Virginians receiving assistance are no strangers to the realities of benefit cliffs. In the case of a single parent with two children receiving a diverse range of benefits, that parent's material well-being increases with additional work or wages until earnings reach nearly $30,000. There, the parent encounters the first of several benefit cliffs. Due to these benefit cliffs, the parent doesn't "break even" in terms of material well-being until surpassing $77,000 in gross earnings.[11]

West Virginians are not alone in experiencing this. A study from the Atlanta Federal Reserve Bank found similarly damning results for a single adult with one child in Washington, D.C. receiving assistance. Authors found that this hypothetical DC family would have the same level of material well-being at $11,000 in earnings as it would at $65,000.[12] Another similarly focused study from the U.S. Chamber of Commerce Foundation highlighted the instance of a benefit cliff in Illinois where a single parent would lose over $24,000 worth of childcare subsidies when their income rose from $54,000 to $55,000.[13]

Often, individuals receiving assistance know intuitively that they will reach a point at which work doesn't pay off from a purely material perspective. While the magnitudes are unclear in this intuitive framework, the incentive to stagnate in the service of stability remains. With magnitudes clearly identified, these individuals do have the chance to plan strategically for a transition away from assistance. However, when these recipients are looking at having to navigate crossing a financial canyon, it demands identifying and striving for solutions at the systems level.

Perspectives on Benefit Cliffs

Benefit cliffs and their effects on people's choices to work are not mere blackboard and modeling exercises. They are genuine concerns that people weigh as they engage in work, training, or other economic activity to improve their lot in life. The perspectives shared by people facing these decisions reveal the tension between the drive for continued improvement and fear of losing the stability that assistance provides.

In West Virginia, one focus group participant commented,

> *"Yeah, I am working currently and every little raise I've gotten, whether it be $0.10 an hour, or you know, $0.20 an hour I've seen a pretty drastic reduction in my SNAP benefits to the tune of maybe a $0.20 raise will, you know, knock off $50 to $75 a month in SNAP benefits. So, I do feel like it's a little frustrating and a little hard to kind of get ahead if you will."*[14]

Again, these sentiments are not unique to West Virginia. In Utah, safety net participant Marcella Patiño illustrated the tension in saying, "You have those benefits there for you as a safety net to make sure that you're doing what you need to do, and then the desire to be better at your life and not need those anymore. But you also have that stuck in your head, like, 'oh I have to take care of my kids first,' and those benefits are more reliable than a job you might not even get."[15]

A report published by the Atlanta Fed based on findings from focus groups with employment service providers shared the story of a client who received an offer for steady, full-time work in the hospitality industry. The client struggled with the decision because the new job would expose her to a childcare subsidy cliff.[16]

A similar report published by the Urban Institute chronicled parents' experiences in Colorado, Minnesota, and New York navigating public assistance programs to meet material needs. Intuitively, those parents understood that new income would change the assistance their family would receive but did not have complete information about how those interactions would play out.

This is summed up by a New York mother in saying, "I know that the minute you start working, it probably all goes away. I don't know how exactly it works technically, but I know that once work starts… they don't give you a long buffer period between when you get benefits and when you lose them, or when you get a job and lose your benefits, so that's an issue."[17]

These anecdotes reflect sentiments among the broader population relying on these programs for material support. Survey results of Utah adults who are current or recent safety net participants showed that 43% of respondents have, at some point, acted to deliberately limit their income to avoid losing assistance. Further, 62% of respondents felt stuck in a low-income job and worried that increasing their earnings would expose them to a benefit cliff.[18]

How We Got Here

It's easy to think of the social safety net as a singular institution meant to provide assistance to folks when they hit challenging economic conditions. In reality, the social safety net is comprised of over 90 programs that are supported through nearly $1.2 trillion in spending from the federal government with an additional $341 billion from states.[19]

These 90+ social safety net programs provide assistance along the margins of food, healthcare, education, housing, workforce, utilities, and more. Just as all these programs meet different material needs, they are administered through different agencies and departments throughout the federal government. Figure 2 illustrates the complexity of the safety net apparatus that exists today.[20]

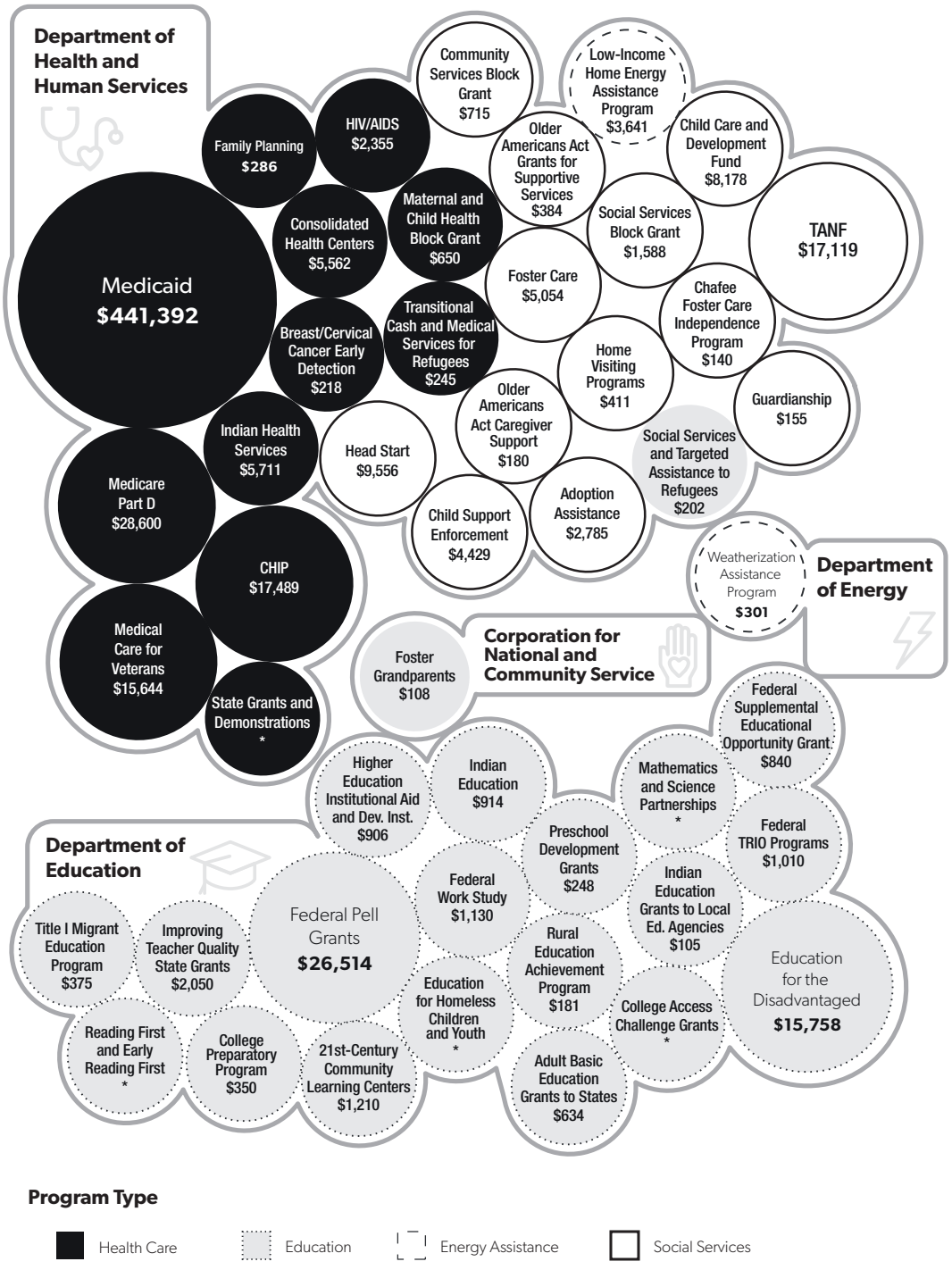
Each separate program was designed with noble intent to bridge a particular gap for an individual or family in need during a period of temporary hardship. Distinct eligibility criteria and phase-down rates were constructed balancing the twin tasks of meeting the needs of the people who would turn to such a program and being mindful of the American taxpayer for these programs.

However, as ever more programs were developed and authorized by Congress, there was no retrospection along the way to contemplate how these many programs and their corresponding eligibility criteria and phase-outs would interact with one another to create perverse incentives for program participants. This oversight contributes to the benefit cliff problem that West Virginians and their counterparts across the country encounter as they transition away from assistance programs toward economic independence.

These cliffs occur from alignment problems, coordination problems, and the effects of stacking multiple programs. Across multiple programs, benefit levels, phase-out rates, and program exit points do not align to give program participants a smooth exit ramp. Similarly, the lack of coordination across the web of safety net programs means that each program an individual participates in represents a potential encounter with a benefit cliff as income rises. Finally, even when programs are designed to phase out smoothly, if an individual is receiving benefits from multiple programs, the aggregate effect of multiple phase-outs creates incentives to forgo work opportunities.

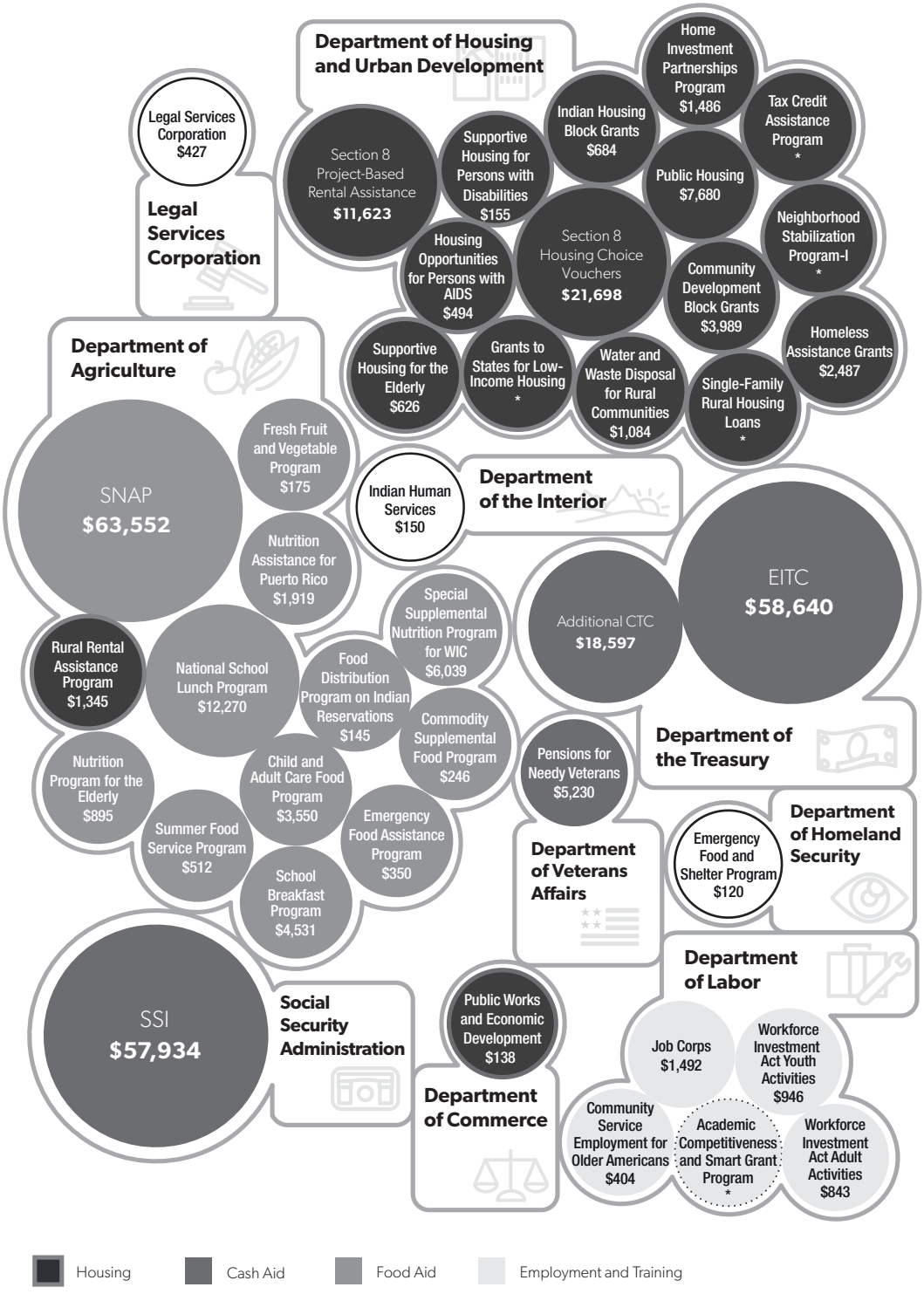
Taken together, this demands sustained attention from states and the federal government to untangle the messy web spun over the decades.

Figure 2. Federal Means-Tested Benefit Programs and Spending in FY 2018



Source: Angela Rachidi et al., "A Safety Net for the Future: Overcoming the Root Causes of Poverty," pp. 134–135. Reproduced in Stranded by the Safety Net, pp. 10–11.[20]

Figure 2. Federal Means-Tested Benefit Programs and Spending in FY 2018 (continued)



The numbers indicate annual program budgets, in millions of US dollars. Programs denoted with an asterisk have annual obligations of less than $100 million, according to the Congressional Research Service.

A Framework for State-Led Reform

While the origins of the benefit cliff problems are rooted in federal policymaking, there are steps that West Virginia can take today to begin mitigating cliff effects for their residents. These suggestions are focused on West Virginia but would apply to any other state looking to improve the rationality and functionality of their safety net programs.

1. Administrative Review & Cleanup

To begin, West Virginia should perform an audit of major safety net programs such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), childcare, and housing to identify where administrative choices are exacerbating benefit cliffs. Without proper identification of the cliffs themselves and their magnitude, the state is flying blind to remedy the situation. As new administrative choices are made to alleviate cliffs, West Virginia must avoid simply extending eligibility to higher-income households, as that increases program costs and further disincentivizes work.

2. End SNAP Simplified Reporting

West Virginia uses simplified reporting for most households in administering its SNAP programs. In plain language, this reporting structure doesn't require participants to report income changes between recertification periods unless household earnings surpass the gross income limit. Requiring more frequent income verification would mean SNAP benefits would taper in nearly real time rather than adjusting only at recertification period intervals.

3. Review SNAP Broad-Based Categorical Eligibility

Broad-based categorical eligibility (BBCE) is a policy choice where households may be considered categorically eligible for SNAP because they qualify for a non-cash TANF benefit.[21] In West Virginia, this policy deserves extra scrutiny because of the decision to extend the income eligibility for recipients from 130% of the federal poverty line (FPL) to 200% FPL through their BBCE guidelines. Put simply, West Virginia should ensure that SNAP's income eligibility limits align with federal law and the associated tapering rates.

4. Childcare Co-pay Reform

Like the simplified reporting protocol in SNAP, West Virginia locks the co-payment rates for childcare assistance for the full 12-month eligibility period based on verified income at application. No adjustments to co-payments happen throughout the year to correspond with changes to income. This disjointed adjustment process contributes to cliff existence and magnitude. It is within West Virginia's administrative power to implement more frequent income reporting and adjustments to drive less drastic changes in co-pays.

HB 4191, passed in 2026, gives the WV Department of Human Services authority to propose rules for legislative approval that parallel the spirit of this recommendation and charges DoHS with implementing cliff mitigation policies by January 1, 2027.[22]

5. Automated Payroll Data Matching

In West Virginia, current SNAP recertification protocols rely primarily on self-reported income changes. Moving to a system where payroll data is matched with participants would facilitate more streamlined benefit adjustment without creating additional burdens to case workers. This advantage applies to all safety net programs, not just SNAP. Moreover, such a change would position the state to meet One Big Beautiful Bill's directive to use payroll data, where available, in verifying work-requirement compliance and exemptions.

Advancing Reforms Beyond the State-Level

West Virginia, and every other state in the country, should take seriously the recommendations put forth in the previous section. Again, however, lasting and permanent change to the American safety net will require congressional action.[c]

Nonetheless, as West Virginia and other states seize the opportunity to make the reforms within their power, they should be intentional about promoting the outcomes of the reforms that are made. In demonstrating the outcomes at this more limited level, states build the body of evidence that can influence congressional action. Similarly, West Virginia and other states need to be straightforward in those communications that they are hamstrung by the constraints of the federally driven architecture of safety net programs to take further action to alleviate or even eliminate benefit cliffs, marriage penalties, and other perverse incentives that discourage work.

Historically, durable federal reforms have often followed successful state experimentation. If states can demonstrate that modernizing the social safety net leads to stronger labor force attachment, rising household incomes, and improved upward mobility, they can establish the empirical foundation necessary for Congress to seriously consider comprehensive legislative reform.

c. The scope of this work does not extend to federal policymaking recommendations. Those interested in a comprehensive vision for federal safety net should refer to Stranded by the Safety Net: How to Fix the Benefit Cliff Problem published by the American Enterprise Institute in partnership with the Alliance for Opportunity.

Jessi L. Troyan, PhD

Director of Policy and Research, Cardinal Institute for West Virginia Policy



Jessi Troyan grew up in Pinch, West Virginia. In her 2023 Cardinal report, *Benefit Cliffs and Disincentives to Work in West Virginia*, she examined how changes in earnings affect families that receive public assistance.

Troyan earned a bachelor's degree in economics from West Virginia University. She went on to earn a master's degree and a PhD in economics at George Mason University. Her writing has appeared in *National Review* and the *Charleston Gazette-Mail*.

Notes

1. Cardinal Institute. *Benefit Cliffs and Disincentives to Work in West Virginia*.
2. Federal Reserve Bank of St. Louis, FRED. Labor Force Participation Rate for West Virginia (LBSSA54).
3. Federal Reserve Bank of St. Louis, FRED. Labor Force Participation Rate (CIVPART).
4. USAFacts. Monthly SNAP participation in West Virginia.
5. Pew Research Center. What the data says about Medicaid.
6. Administration for Children and Families. TANF Caseload Data 2024.
7. West Virginia Department of Human Services. Updated child care services data, April 2024.
8. Center for Law and Social Policy. Child Care Assistance 101.
9. U.S. Census Bureau. Fact sheet on participation in multiple safety-net programs (P70FS-206).
10. U.S. Department of Health and Human Services, ASPE. Participation in social safety-net programs.
11. Cardinal Institute. *Benefit Cliffs and Disincentives to Work in West Virginia*.
12. Federal Reserve Bank of Atlanta. A case study of benefits cliffs in the District of Columbia.
13. U.S. Chamber of Commerce Foundation. Benefits cliffs research brochure.
14. Cardinal Institute. Dignity Project listening research report.
15. Sutherland Institute. Strengthening the American Dream (Marcella Patiño interview).
16. Federal Reserve Bank of Atlanta. Benefits cliffs as a barrier to career advancement for low-income adults.
17. Urban Institute. Balancing at the Edge of the Cliff.
18. Sutherland Institute. Strengthening the American Dream (survey results).
19. American Enterprise Institute and Alliance for Opportunity. *Stranded by the Safety Net*: How to Fix the Benefit Cliff Problem.
20. Angela Rachidi, et. al., "A Safety Net for the Future: Overcoming the Root Causes of Poverty," in American Renewal: A Conservative Plan to Strengthen the Social Contract and Save the Country's Finances, ed. Paul Ryan and Angela Rachidi (American Enterprise Institute, 2022), 134-135
21. U.S. Department of Agriculture. Broad-Based Categorical Eligibility (BBCE).
22. West Virginia Legislature. Enrolled House Bill 4191, 2026 regular session.