Eliminating TANF's COLA Will Harm the District's Most Vulnerable Families

By Maria Manansala

Beginning October 2026, DC lawmakers will reduce cash assistance for families with the fewest resources by eliminating the annual cost-of-living adjustment (COLA) for Temporary Assistance for Needy Families (TANF) benefits—pushing more children into poverty and deepening hardship for those already struggling.

Each year, a COLA helps TANF benefits keep pace with rising prices. DC lawmakers approved cuts in the District's fiscal year (FY) 2026 financial plan that eliminate these annual adjustments—freezing benefits at current levels, even as the cost of basic needs rises and COLAs continue in other programs. This will drastically reduce the purchasing power of cash assistance for households receiving TANF, including child-only cases. By FY 2030, inflation will erode the value of benefits for a family of three by 9 percent. To prevent inflation from diminishing the value of this already limited support, DC lawmakers must reverse the cuts to TANF's COLA—an investment of $5.7 million in FY 2027.[1]

DC Implemented a COLA to Protect TANF Benefits From Inflation and Families From Poverty

A COLA is an increase in benefits or compensation designed to offset inflation and preserve purchasing power. Because the value of a dollar today is less than it was five years ago, COLAs are designed to protect already low benefits from erosion over time. They are a standard feature of many public assistance programs, including the Supplemental Nutrition Assistance Program (SNAP) and Supplemental Security Income (SSI) program.

In FY 1991, DC eliminated the COLA for its cash assistance program, then called Aid to Families with Dependent Children (AFDC).[2] When TANF replaced AFDC in 1996, this policy carried over, freezing benefits at levels insufficient to meet families' needs for nearly two decades. During that period, a family of three received up to $379 per month from FY 1997 to FY 2007, and after lawmakers approved a minimal bump, $428 per month from FY 2008 to FY 2014 in nominal dollars.[3,4] Inflation steadily eroded the value of these benefits, diminishing families' purchasing power by 23 percent (or $130) between FY 1997 and FY 2014.

To prevent further erosion, District lawmakers reinstated TANF's annual COLA in FY 2015.[5] They also phased in substantial benefit increases from FY 2017 to FY 2019 to make up for decades of lost purchasing power, with benefits rising 15 percent in FY 2017, 13 percent in FY 2018, and 12 percent in FY 2019 (*Table 1*).[6] Since then, DC has continued adjusting TANF benefits annually for inflation based on the Consumer Price Index for All Urban Consumers (CPI-U), with FY 2026 as the last year with a funded adjustment. These adjustments have

generally been modest, aside from a nearly 8 percent boost in FY 2024, when inflation surged to a 41-year high amid the COVID-19 pandemic.[7,8]

TABLE 1.

DC Increases TANF Benefits Annually to Keep Pace With Inflation

Maximum TANF Benefit for a Family of Three, FY 2015-FY 2026

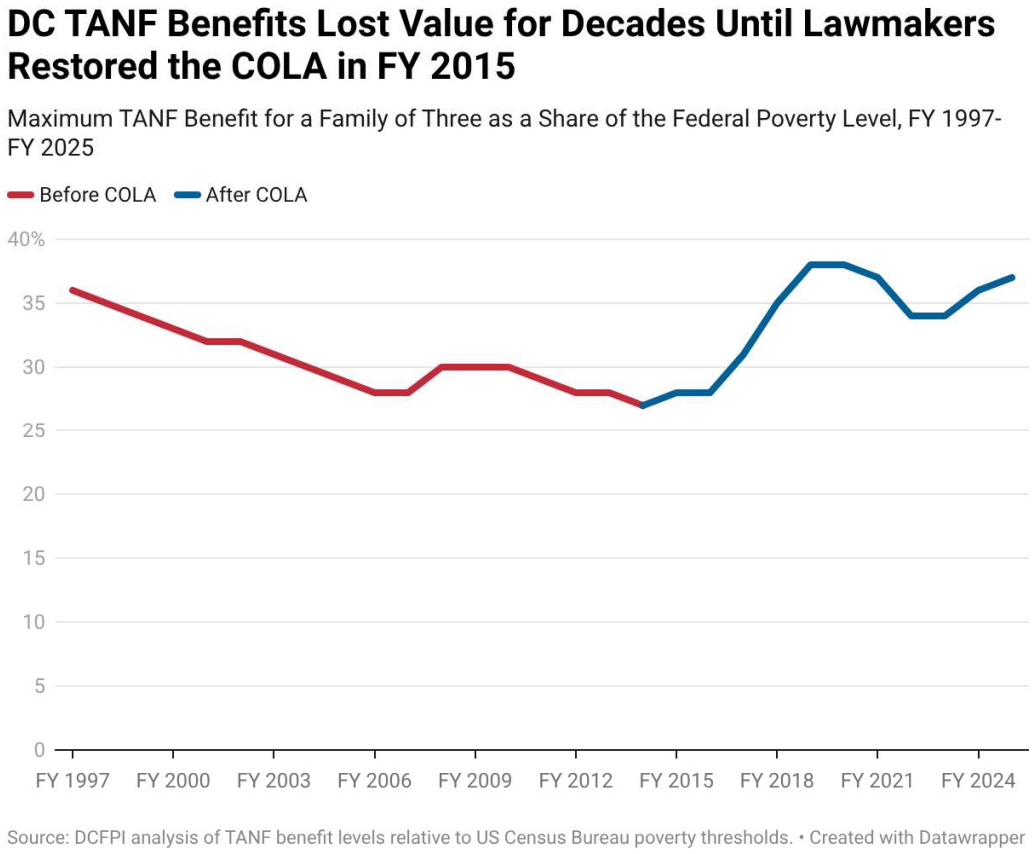
Fiscal year	2015[A]	2016[B]	2017[C]	2018[D]	2019[E]	2020[F]	2021[G]	2022[H]	2023[I]	2024	2025	2026
Maximum benefit for a family of three	434	441	508	575	643	658	658	665	696	751	781	803
COLA or benefit increase	1.4%	1.6%	15.2%	13.2%	11.8%	2.3%	0.0%	1.1%	4.7%	7.9%	4.0%	2.8%

Source: DCFPI analysis of TANF COLAs based on year-to-year changes in maximum benefit levels for a family of three. Benefit data retrieved from DC Department of Human Services, "Temporary Cash Assistance for Needy Families (TANF)," unless otherwise specified.

Notes:
A. Final rulemaking published at 61 DCR 13140, December 2014.
B. Linnea Lassiter, "What's In the Fiscal Year 2018 Budget for Temporary Assistance for Needy Families (TANF)?," DC Fiscal Policy Institute, July 2017.
C. Final rulemaking published at 64 DCR 1375, February 2017.
D. Final rulemaking published at 65 DCR 9065, August 2018.
E. Kate Coventry, "What's In the Approved Fiscal Year 2019 Budget for Temporary Assistance for Needy Families," DC Fiscal Policy Institute, July 2018.
F. Final rulemaking published at 67 DCR 2222, February 2020.
G. Kate Coventry, "What's In the Approved FY 2021 Budget for the Safety Net?," DC Fiscal Policy Institute, September 2020.
H. Final rulemaking published at 69 DCR 003866, April 2022.
I. Final rulemaking published at 70 DCR 002229, February 2023.

The reintroduction of a COLA had a measurable impact on the real value of TANF benefits. Figure 1 shows the maximum benefit for a family of three as a share of the Federal Poverty Level (FPL)—the minimum income needed to meet basic needs—from FY 1997 to FY 2025. Between FY 1997 and FY 2014, when no COLA existed and families only received one small benefit bump in FY 2008, this share fell from 36 percent to 27 percent, meaning TANF covered a progressively smaller portion of the income families needed for essentials. That trend reversed once lawmakers reinstated the COLA and strategically phased in three years of large benefit increases, causing TANF benefits to steadily regain value, reaching 37 percent of the FPL by FY 2025. Importantly, even this aggressive restoration strategy only returned purchasing power to roughly its 1997 level (37 percent versus 36 percent); it did not leave families meaningfully better off.

FIGURE 2.



DC residents are likely facing the largest cut to the safety net in a generation, with federal cuts compounding local cuts and affecting TANF, food assistance, and medical assistance, among other programs. These changes will worsen child poverty in the District, which already spiked by 11.2 percentage points between 2023 and 2024, the largest year-to-year increase in a decade.[9]

Cutting TANF's COLA Will Erode Families' Purchasing Power As Prices Spike

Eliminating TANF's COLA will wipe out years of progress, leaving benefits frozen at $803 for a family of three instead of keeping pace with inflation. Nominally, a family of three receiving maximum benefits stands to lose $255 in FY 2027, with losses compounding each year to reach $724 by FY 2029 (*Table 2*). Over the course of the financial plan, that adds up to $2,429 less in total TANF benefits. To put that figure in perspective, $2,429 is equivalent to nearly a month of housing or two months of food for a family of three.[10] For families in poverty, that support can mean the difference between crisis and stability.

TABLE 2.

Without a COLA, Families Will Lose $2,429 in Cash Assistance By 2030

Maximum Monthly Loss in TANF Benefits for a Family of Three if the COLA Is Not Reinstated, FY 2027- FY 2030

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2027-FY 2030
Projected monthly maximum benefit for a family of three with COLA	$824	$844	$863	$883	
Monthly maximum benefit for a family of 3 without COLA	$803	$803	$803	$803	
Monthly loss	$21	$41	$60	$80	
Total loss across financial plan					$2429

Source: DCFPI analysis of projected TANF benefit levels (based on Congressional Budget Office CPI-U projections).

Compounding families' total benefit cuts in nominal dollars is the decline in purchasing power. Without a COLA, families receiving TANF would not only get lower total benefits, but those benefits would also buy less over time as prices rise. By FY 2030, the same $803 that families currently receive will be worth 9 percent less (or $80), meaning their benefits will cover even less essentials, such as food, rent, and transportation.

These projected losses are particularly concerning in DC, where the cost of basic necessities ranks among the highest in the country and is expected to keep rising.[11] Between January 2017 and January 2025, the average monthly cost of groceries for a family increased from $1,040 to $1,340 (up 29 percent) in nominal dollars, while rent rose from $2,060 to $2,540 (up 23 percent). By comparison, the national averages in January 2025 were $1,020 and $2,020, respectively.[12]

While inflation affects everyone, it disproportionately harms households with low incomes, including those receiving TANF, because they have less flexibility to adjust their household purchases as prices rise. Research shows households with low incomes devote a far larger share of their income to essentials (77 percent) compared with higher-income households (31 percent); this leaves them with little room to cut discretionary costs.[13] Meanwhile, many of the essentials they do purchase may already be from low-cost brands.[14]

In addition, several studies have found that the consumption baskets of households with lower incomes have experienced higher than average inflation over time. For example, a working paper from the Bureau of Labor Statistics found that the prices of goods and services purchased by the households with the lowest incomes rose faster than the overall CPI from 2003 to 2018, while those for the highest-income households rose more slowly.[15]

DC lawmakers' decision to cut TANF's COLA—designed to protect households least able to absorb rising costs—is particularly unjust, given that they continue to fund automatic and inflationary adjustments that primarily benefit middle- and higher-income residents. For instance, DC lawmakers have maintained the following COLAs or similar inflationary adjustments:

- **Estate taxes:** DC increases the zero-bracket amount—the portion of an estate exempt from taxation—each year through a COLA. From 2025 to 2026, DC raised it 2.4 percent, from $4,873,200 to $4,988,400.[16,17]
- **Recordation taxes for first-time homebuyers** : DC charges first-time homebuyers a reduced recordation tax rate, which applies only to homes below a set maximum purchase price. DC raises this maximum annually based on the Washington Area CPI-U. Between 2025 and 2026, it increased 3.2 percent, from $753,000 to $777,000.[18,19]
- **Housing in Downtown (HID) abatement:** The HID abatement offers commercial property owners a 20-year exemption on office buildings that they convert to residential property. The allotment for this abatement is set to skyrocket from $5,000,000 in FY 2027 to $41,000,000 million in FY 2028 and has a 4 percent increase each year after, in perpetuity.[20]

Protecting Low-Income Families Requires Preserving TANF's COLA

To preserve families' purchasing power and prevent further erosion of already modest assistance, DC lawmakers must reverse the cut and maintain TANF's COLA. Failing to do so will push families who are already struggling deeper into hardship, even as the District continues to protect the value of benefits in other programs. In the face of budget pressures, policymakers should not balance the books on the backs of low-income families with children; ensuring they can meet basic needs must remain a core priority.

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[1] Glen Lee, "Fiscal Impact Statement – Fiscal Year 2026 Budget Support Act of 2025," Office of the Chief Financial Officer, July 2025.
[2] Idara Nichelson, "The District Should Use Its Upcoming TANF Bonus to Increase Cash Assistance and Remove Barriers to Work," DC Fiscal Policy Institute, September 2004.
[3] Ed Lazere, "Not Enough To Live On: DC's TANF Benefits Are Among The Least Adequate In The Nation," DC Fiscal Policy Institute, March 2006.
[4] Final rulemaking published at 58 DCR 1008, 1024, February 2011.
[5] DC Fiscal Policy Institute, "What's in the FY 2016 Budget for Temporary Assistance for Needy Families (TANF)?," June 2015.
[6] Ibid.
[7] Committee for a Responsible Federal Budget, "2022 Inflation Hit a 41 Year Record," March 2023.
[8] Lawrence H. Leith, "What caused the high inflation during the COVID-19 period?," U.S. Bureau of Labor Statistics, December 2023.
[9] Connor Zielinski, "DC Child Poverty Back to Extreme Level After Short-Lived Progress," DC Fiscal Policy Institute, February 19, 2026.
[10] Economic Policy Institute, "Family Budget Calculator," accessed April 2026.
[11] Urban Institute, "The American Affordability Tracker," October 2025.
[12] Ibid.
[13] Lael Brainard, "Variation in the Inflation Experiences of Households," Board of Governors of the Federal Reserve System, April 2022.
[14] Ibid.
[15] Josh Klick and Anya Stockburger, "Experimental CPI for Lower and Higher Income Households," U.S. Bureau of Labor Statistics, March 2021.
[16] Office of the Chief Financial Officer, "A Notice Pertaining to the District of Columbia Estate Tax Return for a Decedent's Gross Estate When the Date of Death is On or After January 1, 2025," August 2024.

[17] Office of the Chief Financial Officer, "A Notice Pertaining to the District of Columbia Estate Tax Return for Decedent's Gross Estate When the Date of Death is On or After January 1, 2026," September 2025.
[18] Office of the Chief Financial Officer, "Eligibility for the Reduced Recordation Tax Rate for First-Time Homebuyers in Tax Year 2025," August 2024.
[19] Office of the Chief Financial Officer, "Eligibility for the Reduced Recordation Tax Rate for First-Time Homebuyers in Tax Year 2026," September 2025.
[20] DCFPI analysis of Performance Oversight Hearing responses from the Office of Deputy Mayor for Planning and Economic Development.