**COLA Talking points**

* **Benefit levels have not kept pace with rising costs.**

In 2022, policymakers in 44 states and D.C. allowed TANF benefits to lose value to inflation since 1996. While benefits in similar programs like SNAP and Social Security have kept pace with inflation, TANF benefits continue to lose purchasing power. In some states, benefit levels have not been changed since the days of AFDC.

* **Inflation hurts low-income families the most.**

Families with the lowest incomes spend a higher share of that income on necessities, like food, gas, and rent, then more well-off families. Therefore, when prices rise and TANF benefits remain stagnate, families have to get by with less. To cope, families may either ratio necessities, buy cheaper but lower quality products, or simply do without. Given how inadequate TANF benefits are, families are forced to make hard choices, such as whether to fill their car with gas to get to work (especially in areas without public transit), to pay a phone or utility bill, or to buy clothing and hygiene supplies for their children.

Black and other families of color, who have fewer financial resources because of past and present racism in the economy and government policies, are more impacted by high inflation because they spend more of their incomes on essential needs.

* **States have the resources to raise benefit levels**

States spend very little of their federal and state TANF funds on providing basic cash assistance to families. In fiscal year 2020, states spent just 22 percent of TANF funds on basic assistance, down from 71 percent in 1997, TANF’s first year. A majority of states also have some amount of unspent TANF funds in reserve, as federal law allows them to carryover unspent federal (but not state) funds. Eleven states have TANF reserves larger than their annual TANF block grant. States with large reserves can afford to increase benefits and implement a COLA, as Tennessee did in 2021. The state, which has the largest reserve, increased benefits by over $100 and instituted a COLA in 2021. Even states without significant reserves can increase grants and implement COLAs by shifting TANF funds away from areas that do not help the lowest income families meet their basic needs, such as college scholarships that reach middle class families.

* **Cash assistance is important and has long-term positive impacts for children.**

When families with children have sufficient income to meet their basic needs, their children are healthier and do better in school. Income support programs can improve children’s academic, health, and economic outcomes, the National Academies of Sciences, Engineering, and Medicine’s report on reducing child poverty finds. Even relatively small infusions of income, like those from TANF, can make a difference. The positive long-term outcomes felt by families boosted by cash assistance extends to greater society as a whole; a study conducted by the Columbia University Center on Poverty and Social Policy estimates that for every $1,000 provided to families with children, society reaps $5,603 in benefits. Those benefits mainly come from three areas: (1) increased earnings in adulthood; (2) reduced health care costs; and (3) fewer expenditures related to crime.

Flexible monthly cash assistance plays an important role in the safety net because:

* + Cash offers more financial resources to cover the high cost of raising children and can free up attention and energy to devote to parenting for parents with low income— especially while children are young.
  + Cash can protect families with children from unexpected expenditures or income losses. Other economic support programs, like SNAP and Medicaid, do not free up enough net household income to supplement shortfalls in earned income or other sources of income, especially when jobs pay little or have unpredictable hours, and are not designed to be immediately responsive to financial emergencies.
  + Cash avoids the paternalistic nature of some public benefit programs by empowering parents to invest in their children as they see fit. Cash builds on parents’ existing strengths, resilience, and capacities to meet their and their children’s needs.