



MAINE EQUAL JUSTICE

Finding solutions to poverty and improving the lives of people with low income in Maine.

A Ban on Cash Withdrawals for EBT Card Holders is *Not* Reform

We are not a cashless society. Most people – including those living on limited income need to carry cash for a variety of reasons. Policies like the one proposed by the Governor only add unnecessary hurdles, turning even simple tasks like paying an electric bill into an obstacle course. Let's provide opportunities to help families leave poverty behind, not create barriers that set them back.

This approach is operationally unfeasible as people cannot obtain all of the things they use benefits for through EBT cards alone. It would result in unintended consequences that punish people for falling on hard economic times.

- Children and parents could face eviction because their landlords do not process EBT cards;
- Families could have their electricity shut off because some utility companies (CMP, for example) do not accept EBT cards;
- Parents wouldn't be able to take a bus to work or pay a babysitter to watch their children while they work.

Sample of Expenses that Typically Require Cash or Checks

- Rent payments
- Child care payments
- Utility payments
- Laundromats
- Tolls
- Buses
- Any retailer that is not part of the Quest system

The Maine Department of Health and Human Services (DHHS) has shown no evidence of widespread abuse that would justify a policy that creates punitive hurdles for so many. Before taking such drastic steps, DHHS should examine the extent to which this problem actually exists, and then, if it decides to go forward with this proposal, assess the technology and costs necessary to make it work.

Massachusetts recently created a Cashless Commission to examine a similar proposal.¹ That Commission began its work by contacting EBT staff in California, Colorado, Minnesota, and Texas—states identified as leaders in restricting cash use. These other states reported that the rate of cash assistance misuse is very low. This fit with the Commission’s findings of minimal misuse in Massachusetts. These findings are also consistent with national research on the spending patterns of low-income households, such as the Consumer Expenditure Survey (CES), which suggests that the vast majority of available funds in low-income households go toward necessities such as housing, food, and transportation.² Only one state – Kansas – has adopted this extreme measure.

After much evaluation, the Massachusetts Commission did not recommend implementing a cashless system. It found that it would “generate high operational costs and create a significant burden for clients by restricting their flexibility...”³

Preventing families from accessing cash with their EBT card places the state at risk of penalties for violating the Fair Labor Standards Act and Maine law. Maine’s TANF program requires many recipients to perform community service or work to meet the program’s participation requirement. This work is subject to the Fair Labor Standards Act (FLSA), which requires that the person performing such work must receive pay in the form of cash, something that can be readily converted into cash, or some other legal form of compensation such as food or lodging.⁴ State law also requires payment in the form of cash or similar legal tender.⁵ By limiting access to cash for those performing these services, DHHS would be at risk of penalty for violating the law.

Maine law already prohibits the use of benefits for alcohol, gambling, or adult venues. The state should focus on enforcement, including blocking EBT cards at the point of sale in these venues, rather than new policies that punish all TANF recipients, the vast majority of whom do not use benefits improperly. More than one in five Maine children under the age of 5 lives in low-income households. This proposal would directly impact these children.

Real reform should create opportunity for families; Not push them deeper into poverty.

¹ <http://cbpp-tanf.org/wp-content/uploads/2012/12/dta-csc-final-ripplesreport-122012.pdf>

² FNS Office of Research and Analysis, Low-Income Household Spending Patterns and Measures of Poverty: Summary (April 2010).

³ The Commission noted that as internet access grows for all families and technology becomes cheaper, the payment landscape will continue its rapid shift toward online transactions and this proposal might be more realistically considered at that point.

⁴ 29 CFR 531.27

⁵ 26 MRSA 663