Talking Points Against Restricting Access to Cash

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**The proposal to restrict TANF recipients’ access to cash assistance is inconsistent with federal requirements.** Federal law requires states to maximize TANF recipients’ ability to access their benefits as cash. Prohibiting ATM withdrawals, “cash back”, and other forms of receiving TANF as cash is inconsistent with this. In 2016, the Administration for Children and Families (ACF), which administers TANF at the federal level, published additional guidance on access provisions in Section 4004 of Public Law 112-96, the [Middle Class Tax Relief and Job Creation Act of 2012](https://www.congress.gov/112/plaws/publ96/PLAW-112publ96.pdf) which established restrictions on EBT use, along with extending TANF.

ACF states that “Public Law 112-96 also requires states to include in their state TANF plans an explanation of how the state will ensure that recipients of TANF assistance have adequate access to their cash assistance…” ACF reviewed each state’s TANF plan and has outlined three principal areas of adequate access for state TANF programs, one of which was that “states should maximize the flexibility for recipients to access cash withdrawals.” In 2015, Kansas passed [HB 2258](http://kslegislature.org/li_2016/b2015_16/measures/hb2258/) which, among other things, would’ve capped TANF recipients’ ATM withdrawals to 1 transaction per day of up to $25. However, this policy was never implemented because of the guidance issued by ACF.

**The proposal is based on stereotypes, not facts: families spend the vast majority of unrestricted cash payments to meet their basic needs.** Studies that examine how families spend unrestricted cash payments consistently find that they spend cash payments to meet their basic needs, with food often being the most common purchase. Studies also find that providing cash payments does not lead to increased spending on “temptation goods” such as alcohol and drugs.

* A study of Census data covering the first three months of payments from the monthly Child Tax Credit found that 91 percent of families with low incomes (less than $35,000) used their payments for the most basic household expenses — food, clothing, shelter, and utilities — or education. Families made these investments nationwide: in every state and the District of Columbia. In Missouri, 90 percent of families used their child tax credit payments for these basic household expenses. [9 in 10 Families With Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education | Center on Budget and Policy Priorities (cbpp.org)](https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education)
* A study of spending among participants in Chelsea Eats found that spending primarily occurred at places where food is the primary product: grocery stores, wholesale clubs, markets & convenience stores, and restaurants. About a third of total spending was at the local chain grocery store. This project provided 2,000 families with up to $400 per month on a debit card that could be used anywhere a Visa card could be used found that 73 percent of spending ($1.5 million of the $2.1 million in total spending).([ChelseaEatsCardSpendingMay2021.pdf (harvard.edu)](https://www.hks.harvard.edu/sites/default/files/Taubman/Research/ChelseaEatsCardSpendingMay2021.pdf))
* Analysis of spending from the Stockton Economic Empowerment Demonstration that provided 125 families with $500 per month for 24 months consistently found that the largest spending category each month was food, followed by sales/merchandise, which were likely also food purchases at wholesale clubs and larger stores like Walmart and Target. Other leading categories each month were utilities and auto care or transportation. Less than 1% of tracked purchases were for tobacco and alcohol ([SEED First Year Analysis](https://static1.squarespace.com/static/6039d612b17d055cac14070f/t/6050294a1212aa40fdaf773a/1615866187890/SEED_Preliminary%2BAnalysis-SEEDs%2BFirst%2BYear_Final%2BReport_Individual%2BPages%2B.pdf)).
* A recent report by the center right Niskanen Center found that cash transfers have consistently had no impact on the purchase of temptation goods. [Give the Poor Cash, Reduce Their Spending on Alcohol and Tobacco - Niskanen Center](https://www.niskanencenter.org/cash-reduces-tobacco/#:~:text=The%20evidence%20suggests%20that%20cash%20transfers%20are%20not,Only%202%20estimates%20indicated%20a%20significant%20positive%20effect.)

**Families cannot cover their most basic expenses without access to cash.** There are many everyday scenarios where a family needs their TANF benefit as cash and cannot use an EBT card. For example, a family needs cash to pay rent to their landlord or to pay their utility bills. While EBT cards function much like debit cards, they are not tied to traditional bank accounts with routing numbers that could facilitate ACH transfers to pay for expenses like rent or utilities. They may also wish to pay a family member, friend, or neighbor back for certain goods and services like a child’s haircut or babysitting. Families also would not have funds to cover the cost of school activities, limiting the participation in important school functions. Limiting or prohibiting families’ access to cash would severely constrain their ability to meet their basic needs.

**Implementing such a system would be extremely costly and would require the state to shift TANF resources away from other programs and services currently funded through TANF.** The EBT system is set up to work through POS devices which restrict transactions to cash and merchants that take electronic payments. Thus, limiting cash payments would require setting up an entirely new system – a costly vendor payment system or a new automated system that would need to authorize every possible vendor to receive payments.

In 2012, the Massachusetts legislature created a “Cashless System Commission” to study the feasibility of moving to a cashless EBT system. After devoting significant effort and resources to studying this issue, the Commission rejected options to pay benefits in a non-cash form or all but $100 as non-cash because of high costs and concerns about the administrative feasibility of implementing such a system. Specific findings that led to their decision included the following:

* **High cost of implementation.** The Commission estimated that getting such a system up and running could cost as much as $25 million and maintenance costs could be as much as $6 million per year. Costs would be even higher if significant payments had to be made through a vendor payment system.
* **Insurmountable implementation challenges.** Prohibiting cash back from POS devices could not be implemented using the current technology and would require individualized enforcement at the retailer level which would requiring hiring additional staff or diverting existing staff resources from current activities.
* **Significant hardship on recipients and burden on merchants.** Walmart told the commission: “You’re never going to be able to get the compliance you’re looking for”