

SENATE BILL REPORT

SB 5327

As Reported by Senate Committee On:
Human Services & Corrections, February 17, 2011
Ways & Means, February 25, 2011

Title: An act relating to limiting the use of public assistance electronic benefit cards.

Brief Description: Limiting the use of public assistance electronic benefit cards.

Sponsors: Senators Carrell, Zarelli, Becker, Stevens, Baumgartner, Hewitt, King, Schoesler and Swecker.

Brief History:

Committee Activity: Human Services & Corrections: 2/03/11, 2/17/11 [DPS, DNP, w/oRec].
Ways & Means: 2/25/11 [DP2S, w/oRec].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 5327 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hargrove, Chair; Stevens, Ranking Minority Member; Baxter and Carrell.

Minority Report: Do not pass.

Signed by Senator Regala, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senator Harper.

Staff: Jennifer Strus (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5327 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Baxter, Brown, Conway, Fraser, Hatfield, Hewitt, Honeyford, Kastama, Pflug, Pridemore, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Keiser, Kohl-Welles and Regala.

Staff: Michael Bezanson (786-7449)

Background: Temporary Assistance for Needy Families (TANF) benefits are provided to recipients through an electronic benefits transfer (EBT) card. The benefit amount is electronically added to the card each month. The EBT card can be used at ATMs and also at stores through a point of sale machine, similar to how debit cards are used.

A TANF recipient is prohibited from using an EBT card or cash obtained with an EBT card to participate in a gambling activity, a parimutuel wagering activity, or to purchase lottery tickets. The Department of Social and Health Services (DSHS) must notify EBT cardholders that using an EBT card or cash obtained with an EBT card for any of the prohibited activities could result in legal proceedings and the forfeiture of all cash benefits.

Summary of Bill (Recommended Second Substitute): A TANF recipient is prohibited from using an EBT card or cash obtained with an EBT card for the following:

- to participate in or purchase activities located in a tattoo, body piercing, or body art shop;
- to purchase any alcoholic beverage;
- to purchase cigarettes or tobacco products; or
- to purchase or participate in any activity in certain locations.

On or before January 1, 2012, the businesses listed below must disable the ability of the ATMs and point of sale machines located on their business premises to accept EBT cards:

- taverns;
- beer/wine specialty stores;
- nightclubs;
- contract liquor stores;
- bail bond agencies;
- gambling establishments;
- tattoo, body piercing, or body art shops;
- adult entertainment venues with performances that contain erotic material where minors under the age of 18 are prohibited; and
- any establishments where persons under the age of 18 are not permitted.

The use of an EBT card for a prohibited use is a gross misdemeanor.

Any of the listed business establishments that do not comply with the requirement to disable ATM and point of sale machines on their business premises from accepting EBT cards will have its business license suspended until it complies with the requirements.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): Removes the requirement that the bill's implementation costs be offset by an across-the-board ratable reduction to TANF grants.

EFFECT OF CHANGES MADE BY HUMAN SERVICES & CORRECTIONS COMMITTEE (Recommended First Substitute): Requires taverns, beer/wine specialty stores, nightclubs, contract liquor stores, bail bond agencies, gambling establishments, tattoo, body piercing or body art shops, adult entertainment venues with performances that contain erotic material where minors under the age of 18 are prohibited, and any establishments where persons under age 18 are not permitted to disable the ATM and point of sale machines on their business premises from accepting EBT cards. Failure to comply with these requirements could result in suspension of the establishment's business license. Removes firearms dealers from the list of establishments where an EBT card cannot be used. The provisions regarding replacement cards are removed.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Human Services & Corrections):

PRO: EBT cards are being used in gambling establishments, strip clubs etc.; we don't know where else. EBT cards are also being used in other states in these businesses as well. You don't have to be a resident of Washington to obtain an EBT card. All purchases with an EBT card can be tracked so we know that EBT cards are being used for items and services for which TANF benefits were not intended. All one needs to do if one wants drugs is give the drug dealer one's EBT card. Thousands of these cards are reissued each year so it is easy to sell them for drugs. It appears that a lot of TANF recipients do not use the cards as intended.

OTHER: Nightclubs, gambling establishments, firearms purchases - these seem like reasonable places to restrict the use of EBT cards. We are concerned about making it a gross misdemeanor to use the EBT card in these establishments. We do not like paying the administrative costs out of the TANF grant because the grant was just cut 15 percent and the grant had had one increase of 3 percent in the last 15 years. Since some alcohol is sold in grocery stores, saying that one cannot use an EBT card for only some purchases puts the onus on the checker to explain to a customer why they can't use the EBT card for certain purchases. This bill would require all grocers to revise the software programs they use to block EBT purchases for certain items - in a meeting with DSHS they were told this. It would cost \$40,000 to change the software for just one store so that is a large expense to grocers.

Persons Testifying (Human Services & Corrections): PRO: Senator Carrell, prime sponsor; Dolores Chiechi, Recreational Gaming Assn.

OTHER: Lonnie Johns-Brown, Welfare Advocates group; Holly Chisa, NW Grocery Association; Jan Gee, WA Food Industry Assn.

Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means): PRO: We support this bill but have concerns regarding the section that requires implementation costs to be paid for by an across-the-board reduction to TANF grants. Grants should not pay for the implementation costs.

Persons Testifying (Ways & Means): PRO: Lonnie Johns-Brown, Welfare Advocates Group.