

**SUBJECT:** Limiting the use of cash benefits under welfare programs

**COMMITTEE:** Human Services — committee substitute recommended

**VOTE:** 7 ayes — Hilderbran, Naishtat, Christian, Krusee, Maxey, McReynolds, Wohlgemuth

0 nays

2 absent — Chavez, Davila

**WITNESSES:** For — None

Against — Alison Dieter, Gray Panthers; Bruce Bower; Patrick Bresette; Charlotte Flynn

On — Annette Lovel, Comptroller's Office; David Shelton, Texas Father's Alliance

**BACKGROUND :** In 1994, Texas implemented an electronic benefit transfer (EBT) system for welfare recipients. The “Lonestar Card” works like a debit card to pay for food purchases under the food stamp program or access Temporary Assistance for Needy Families (TANF) cash benefits.

**DIGEST:** CSHB 1439 would stipulate that financial assistance to TANF recipients be used only to purchase goods and services considered essential and necessary for the welfare of the family, including food, clothing, housing, utilities, child care, transportation, medicine, medical supplies and equipment not covered by Medicaid.

The Department of Human Services (DHS) would define by rule what constituted essential and necessary goods and services. DHS also would be required to encourage housing authorities, utility companies and public transportation companies to accept payment for essential goods and services through the state's EBT system by using the Lonestar Card.

CSHB 1439 would direct DHS to conduct a pilot project in which utility companies, housing agencies and other retailers would use the EBT system

to accept payment for essential goods and services. The bill would stipulate that the cost of the point-of-sale devices in the pilot project would not be a state expense, except for devices located in retail businesses that sold medicine and medical supplies or equipment. DHS also would determine if EBT transportation applications were feasible.

If the pilot project showed the EBT system to be feasible and useful for essential purchases, DHS would be directed to promote the system with the goal of securing participation of all businesses statewide. DHS would have to report to the 76th Legislature in 1999 on the effectiveness of the pilot program

CSHB 1439 would take effect September 1, 1997.

**SUPPORTERS  
SAY:**

CSHB 1439 would move Texas along in its welfare reform efforts by encouraging more responsible behavior from TANF recipients. The efforts proposed by the bill would discourage recipients from using Lonestar Card cash withdrawals for such items as alcohol and cigarettes instead of such essentials such as diapers or baby bottles or even rent or transportation.

By implementing a pilot project to study the feasibility of using the EBT system for essential purchases, the bill would also make it easier to eventually move toward using the EBT system to allow direct debits for all utility, housing and transportation services without spending a prohibitive amount of money before studying the issue. The resources required to conduct and evaluate the pilot project would be minimal and not present a significant fiscal impact to DHS or the state.

The purpose behind this bill is not to fuel a public misperception about welfare families but to face a real problem. It is a proven fact that welfare assistance has been broadly abused, not just in Texas but across the country. The job facing welfare reformers is not to castigate those who must depend on the system but to find ways to make it easier for them to use it properly. Making the Lonestar Card a true debit card for essential purchases would encourage users to think about it in that light rather than as a quick source of cash for whatever purpose.

CSHB 1439 would help ensure that TANF money was spent on impoverished children and not on unnecessary items. TANF covers what was formerly known as Aid for Dependent Children, and children and their needs still remain the focus of this program.

CSHB 1439 would properly require DHS to explore expanded uses for the card. DHS — not the Legislature — is in the best position to define what are essential and necessary items. DHS has years of experience working with welfare recipients on a daily basis, and its workers are aware of the needs and problems of recipients.

OPPONENTS  
SAY:

CSHB 1439 would pander to the public misperception of all welfare recipients as welfare cheats. Welfare recipients in Texas receive one of the lowest amounts of money in the country and are required to go through several hurdles to get even that. Recipients must suffer the bureaucracy involved with getting benefits and the humiliation of using them in public because their children need them. Millions of dollars of tax-supported services and benefits and tax breaks are enjoyed by many other Texans without half as many restrictions as are experienced by welfare recipients, one of the the poorest and most vulnerable segments of our society.

Spending additional money and energy in response to a public misperception makes little sense when this money could be much better spent helping needy families or even educating the public about the welfare system. Furthermore, it would be a futile exercise for DHS to attempt to define by rule what constitutes essential goods and services; it would be virtually impossible to cover every possible contingency.

NOTES:

The committee substitute expanded the list of essential and necessary goods and services to include utilities, child care, transportation, medicine and medical supplies or equipment, deleted a restriction against making cash withdrawals, directed DHS to implement a pilot project for the EBT system instead of mandating procedures to restrict purchases with the EBT system, and required DHS to report results to the 76th Legislature.