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Testimony of Tazra Mitchell, Policy Director, DCFPI
Committee of the Whole Public Hearing
B23-122, Cashless Retailers Prohibition Act of 2019
February 13, 2020

Chairman Mendelson and members of the Committee, thank you for the opportunity to provide testimony. My name is Tazra Mitchell, and I am the Policy Director at the DC Fiscal Policy Institute (DCFPI). DCFPI is an anti-poverty non-profit organization that promotes opportunity and widespread prosperity through rigorous research and policy solutions to address DC's racial and economic inequities.

I'm here today to testify in favor of the Cashless Retailers Prohibition Act, which would prohibit retailers from refusing to accept cash payments and therefore protect DC residents who lack bank accounts and credit cards.

Simply put, a cashless economy is not an inclusive economy. When retailers refuse to accept cash, they discriminate against individuals who are struggling to make ends meet, communities of color, and our homeless neighbors. People facing tough economic times shouldn't have to jump through hoops to access necessities like food, clothing, and toiletries.

DCFPI is proud to support this bill because it would make sure that low-income DC residents—many of whom already experience segregation in education, employment, and housing—do not also experience segregation in our retail economy.

The Act Would Protect the One in Three DC Households that Are Un- or Underbanked

Participation in a cashless society requires a level of financial stability that many DC residents simply do not have. Opening a bank account requires a form of identification, which many people who are poor and older lack. It also requires other documents such as a utility bill or other proof of address, which people facing homelessness often lack. And, banks charge fees and overdraft penalties that can be significant for people living on the economic margins. The Cashless Retailers Prohibition Act would help ensure that people facing these hurdles aren't further excluded or pushed out of our economy.

As a result of these hurdles, nearly one-third of DC households rely on cash for daily needs because they are unbanked or underbanked, particularly people living in crisis and facing homelessness, according to the Federal Deposit Insurance Corporation (FDIC).[1] A household is unbanked when no one in the household has a bank account, and it is underbanked if no one has an account but relies on alternative financial products, such as a check cashing service or pawn shop loan.

Black DC residents are 3.5 times more likely to be un- or under-banked compared with white DC residents.[2] Similarly, large disparities exist between DC residents with a high school diploma and those with a college degree, with higher education increasing the likelihood of being banked. Unsurprisingly, lower income families are less likely to be banked. There is limited data for DC due to small sample sizes, but across the US, nearly 35 percent of households with annual incomes of $15,000 to $30,000 are un- or underbanked. Among families with annual incomes of less than $15,000, the rate soars to nearly half. Further, a large share of Americans who are 25 to 64 and living with disabilities are un- or underbanked.

The Cashless Business Model Reinforces Institutional Racism

Refusing to accept cash payments reinforces institutional racism because of the foundational inequalities in banking. It is no accident that Black DC residents are 3.5 times more likely to be un- or underbanked that white residents—this is by design. Black and low-income residents tend to have less access to credit and debit cards due to exclusionary policy choices, such as redlining, and a tiered financial system, in which the wealthy and low-income families have access to vastly different tools for banking and wealth accumulation.

Beyond banking, Black residents already bear the brunt of economic hardship in the District, with one in four living in poverty. Black income is a fraction of white income, and disparities in wealth are even starker. In fact, Black median household income is no higher today than it was a decade ago, adjusting for inflation. These outcomes illustrate the economic harm that structural racism and exclusionary practices have caused Black families as well as the urgent need to remove economic barriers holding back people who are doing their best to get by.

Retailers in DC didn't create structural banking inequalities, but when they exclude cash as a payment option, they compound decades of exclusionary financial practices. It may not be a retailer's *intention* to discriminate by refusing to accept cash, but the *impact* is that it does just that by punishing people who are underbanked. The convenience that retailers seek when they go cashless should not trump fair access to basic goods.

DC Council Should Pass this Bill and Pair It with Broader Policy Solutions

The District's long-term success depends on ensuring that everyone has the chance to participate in the economy. DC policymakers should continue to work to expand access to financial institutions, raise wages, enforce wage theft laws, and advance other pathways to economic opportunity—but no doors should be closed to people relying on cash. DCFPI encourages you to vote aye on this bill.

Thank you for the opportunity to testify.

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[1] FDIC, "2017 FDIC National Survey of Unbanked and Underbanked Households: Survey Results for District of Columbia," 2017, https://economicinclusion.gov/surveys/2017household/.

[2] Data are not available for Hispanic, Asian, or other racial or ethnic groups. Ibid.