

Protect Maryland's Low-income Families from Electronic Benefits Theft

Position Statement Supporting Senate Bill 2 with amendments

Given before the Senate Finance Committee

Social safety net programs such as the Supplemental Nutrition Assistance Program (SNAP) or the Temporary Cash Assistance program (TCA) serve as an economic lifeline for many Marylanders. With the rise of electronic benefits theft in Maryland, also known as skimming, many low-income families who rely on their public benefits are left scrambling and in need of additional support to stay afloat. **The Maryland Center on Economic Policy supports Senate Bill 2 with amendments because it will ensure that families victim to electronic benefits theft are reimbursed for their losses in a timely manner, and will provide additional support to prevent further theft.**

Theft of electronic benefits has impacted many across the nation, but has hit Maryland particularly hard. Recipients of programs like SNAP and TCA utilize Electronic Benefit Transfer (EBT) cards to access their benefits and make purchases, just as they would with a regular debit card. This method of accessing benefits have made them particularly vulnerable to theft, otherwise known as skimming, which happens when individuals place magnetic strips and or hidden cameras on ATM machines or other card readers at stores to collect personal information such as PIN numbers. Consequently, thieves are able to duplicate and use the stolen card, and ultimately strip recipients of the benefits on which they heavily rely for food and other basic essentials. In 2022, at least 2,334 households in Maryland reported their cash or food assistance stolen, and increase to about \$1.6 million in losses compared to \$92,000 in 2021.¹

Recent federal legislation has enabled states to use federal funds to replace SNAP benefits stolen through skimming between October 1, 2022 and September 30, 2024. While this is a great step to ensuring reimbursement for some Marylanders, many are left behind, including those who lose their cash benefits through the same fraudulent practice or those who had their benefits stolen prior to October 2022. Unlike financial institutions who try to resolve theft matters with their clients in a timely manner, public benefit recipients have to jump through hoops to report their theft and even more to be reimbursed, if they are able to get reimbursed at all. Currently, the Maryland Department of Human Services is not replacing benefits to victims even though they can. This leaves thousands of Marylanders and their families worrying if they'll have enough to eat or pay bills through no fault of their own.

Not only is it important that victims of skimming get their benefits replaced, it is also necessary to protect them from future theft. SB 2 goes a step further and requires the state to inform and educate the public on how to

prevent additional loss, warn them about potential fraud, and it also sets up a system through which victims can more readily access support and services to remedy their situation.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee give a favorable report to Senate Bill 2 with the proposed sponsor amendments.

Equity Impact Analysis: Senate Bill 2

Bill summary

Senate Bill 2 requires the Maryland Department of Human Services (DHS) to reimburse recipients for any benefits lost due to the fraudulent use of their EBT cards; requires the state to give preference to certain vendors in the procurement process for electronic benefit distribution and administration; requires DHS to establish a point person for investigating and identifying fraud; requires DHS to notify recipients about fraud and provide assistance; and finally it applies certain provisions retroactively.

Background

With the rising cost of living and inflation driving the increase of prices for food and other material goods, it is likely that many families will continue to struggle in the foreseeable future. This is especially true for low-income families who rely on public benefits to sustain themselves. The inability to afford food or other basic necessities because of electronic benefits theft, or skimming, is an additional and rising concern for Marylanders. In 2022, at least 2,334 households in Maryland reported their cash or food assistance stolen, and increase to about \$1.6 million in losses compared to \$92,000 in 2021.

Currently, Maryland's Department of Human Services is not replacing benefits to victims, despite recent federal authorization allowing states to use federal SNAP funds to reimburse victims of fraud though only through certain time periods. Other states were already utilizing state funds to reimburse their residents, including Washington D.C.ⁱⁱ Maryland has the financial resources to support families in dire need of assistance.

Equity Implications

Policies in the past have led to a system of unequal opportunities for marginalized groups within Maryland. Although the most obvious racially discriminatory policies have long been overturned or mitigated, the impact of these policies continue to persist in both society and public policy and have led to significant racial and health disparities. People of color experience much higher rates of economic insecurity and poverty and are more likely to use SNAP and other economic relief programs to afford basic necessities. In particular, single-parent households, women, and children of color are overrepresented among families living in poverty.

Research shows that increasing economic security for households through programs like SNAP can help reduce overall poverty, child poverty, and racial and ethnic inequities.ⁱⁱⁱ Reimbursing families for loss of SNAP and TCA benefits through skimming will be a great economic relief to struggling recipients. Meeting these needs strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.

Impact

Senate Bill 2 would likely **improve racial and economic equity** in Maryland.

ⁱ “Maryland, Other States Scramble to replace ripped-off SNAP Benefits,” 2023, <https://www.marylandmatters.org/2023/02/13/maryland-other-states-scramble-to-replace-ripped-off-snap-benefits/>

ⁱⁱ “SNAP ‘Skimming’ Victims May Get Stolen Benefits Reimbursed,” 2022, <https://www.nbcnews.com/news/us-news/snap-skimming-victims-may-get-stolen-benefits-reimbursed-rcna62755>

ⁱⁱⁱ “Recent Increase in SNAP Purchasing Power Invests in Children’s Health and Well-Being,” Center on Budget and Policy Priorities, 2023, <https://www.cbpp.org/research/food-assistance/recent-increase-in-snap-purchasing-power-invests-in-childrens-health-and>; “The Anti-Poverty Effects of the Supplemental Nutrition Assistance Program,” Urban Institute, 2018, https://www.urban.org/sites/default/files/publication/96521/the_antipoverty_effects_of_the_supplemental_nutrition_assistance_program_4.pdf