

TESTIMONY IN SUPPORT OF SB 2

Prevent Electronic Benefits Theft Act of 2023

Hearing of the Senate Finance Committee, February 23, 2023
Maryland General Assembly
Senator Melony Griffith, Chair
Senator Katherine Klausmeier, Vice Chair

Honorable Members of the Senate Finance Committee:

My name is Katherine Jeffreys. I am a third-year law student at the University of Baltimore School of Law, where I am enrolled as a Rule 19 student attorney in the Civil Advocacy Clinic. The Clinic represents low-income clients on a pro bono basis, many of whom are using SNAP and TCA benefits and who are now dealing with the hardship and legal ramifications around skimming, such as an increase in lawsuits involving credit card debt and evictions.

This Legislation is critical because it provides a legal framework and protocol for the swift reimbursement of benefits lost due to skimming, and requires further fraud prevention and notification measures.

I wanted to highlight two reasons why the passage of the bill before you is imperative.

1. EBT cardholders are at or below the poverty line

To qualify for benefits provided on an EBT card such as SNAP and TCA benefits the beneficiary's income must meet certain financial measures that are tied to the poverty line.¹ In addition, 70% of SNAP benefits go to households with children.² If a person has their EBT card wiped clean due to skimming, they cannot buy groceries and other necessary living expenses. EBT skimming is an issue sweeping across America, but in Maryland alone, there was approximately \$1.7 million estimated in lost benefits in 2022, an increase from the previous year.³

2. EBT Cards vs. Credit/Debit Card Reimbursement

Any card that holds money can be subject to skimming or fraud, however, EBT fraud and theft prevention and reimbursement protocols drastically pale in comparison to security measures for credit/debit card theft.

¹ Center on Budget and Policy Priorities. <https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits>

² Center on Budget and Policy Priorities. <https://www.cbpp.org/research/snap-plays-a-critical-role-in-helping-children>

³ SB2 Fiscal Note.

- Currently, if a person’s EBT card is stolen, they must report the fraud to DHS, and the department freezes or cancels the card, and at some point sends the person a new one. In the interim, the person loses valuable, life-sustaining benefits, and they are never reimbursed for the theft.
- By contrast, individuals who suffer credit card theft are notified by their credit card provider or by fraud alert that their card has been compromised. They are issued a new card and quickly reimbursed.⁴ Under the Fair Credit Billing Act, the cardholder is liable for a maximum of \$50, with some cards offering \$0 fraud liability for unauthorized charges.⁵

We have the technology and the means to have the same robust and efficient fraud prevention system currently in place for credit and debit cards that could be utilized for EBT cards. People who need the most protection are getting the least. This bill provides a way to level this inequality by reimbursing a beneficiary for all lost or stolen benefits within 1 week, educating cardholders on the risk of fraud, and notifying cardholders if fraud is suspected.

3. Amendments

We ask that you consider expanding this bill to require DHS to implement default settings on EBT cards. The following options will further expand fraud prevention:

- Send a household an immediate text alert after each EBT card transaction;
- Prevent an EBT card from being used outside of the state without prior authorization from the household; and
- Allow a household to prohibit an EBT card from being used during certain hours.

Conclusion:

EBT skimming affects low-income individuals and without this bill, there are no effective channels for quick reimbursement. Those with EBT cards cannot afford basic needs while they are waiting for a new card. Other states are already taking measures to prevent fraud and reimburse EBT cards. This bill addresses a gap and prioritizes skimming prevention for low-income Marylanders.

For these reasons the Clinic strongly urges a **FAVORABLE report on SB 2 with Amendments.**

For More Information Call:

Katherine Jeffreys, Third-Year Law Student, and Rule 19 Student Attorney
 Michele Gilman, Professor of Law and Supervising Attorney
 University of Baltimore School of Law Clinical Law Offices
 (410) 837-5706

⁴ 15 U.S.C. §§ 1693-1693r The Electronic Fund Transfer Act. The Act requires “financial institutions to adopt certain practices respecting such matters as transaction accounting, and error resolution, requires financial institutions and others to have certain procedures for preauthorized transfers, and sets liability limits for losses caused by unauthorized transfers.”

⁵ *Credit Card Fraud*. JUSTIA. 2023. <https://www.justia.com/consumer/deceptive-practices-and-fraud/credit-card-fraud/>