

TESTIMONY IN SUPPORT OF HB 502
Prevent Electronic Benefits Theft Act of 2023

Hearing of the House Appropriations Committee, February 21, 2023
Maryland General Assembly
Delegate Ben Barnes, Chairman
Delegate Mark S. Chang, Vice Chairman

Honorable Members of the Appropriations 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 EBT fraud prevention measures, notification requirements, and prompt reimbursement for any amount lost.

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

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 Individuals may also qualify if they are homeless, elderly, disabled, or unemployed.² In addition, 70% of SNAP benefits go to households with children.³ 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, families have reported losing more than \$1 million in stolen SNAP benefits in 2022, an increase from the previous year.⁴

2. Two reimbursement standards

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 Maryland Department of Human Services. <https://dhs.maryland.gov/supplemental-nutrition-assistance-program/eligibility-rules/>

³ Center on Budget and Policy Priorities. <https://www.cbpp.org/research/snap-plays-a-critical-role-in-helping-children>

⁴ WMAR News. <https://www.wmar2news.com/matterformallory/over-1-million-in-snap-cash-assistance-benefits-stolen-from-maryland-families>

- 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.
- By contrast, individuals who suffer credit card theft are notified by their credit card provider that their card has been compromised, issued a new card, and quickly reimbursed.⁵
- As opposed to most individuals using credit cards, those with EBT cards cannot afford basic living needs while they are waiting for a new card.

This bill provides a way to level this inequality:

1. Reimburses a beneficiary for all lost or stolen benefits for any amount within 1 week of unusual activity
2. Provides fraud prevention measures by educating cardholders about the risk of fraud
3. Establishes a hotline for reporting stolen benefits
4. Requires that DHS set up a system so that cardholders are notified 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. This bill addresses a gap and prioritizes skimming prevention for low-income Marylanders.

For these reasons the Clinic strongly urges a **FAVORABLE report on HB 502 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

⁵ 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.”