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Education, Energy, and
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony in Support of SB 834: Scam Awareness Pilot Program

March 6, 2024

Chair Beidle, Vice-Chair Klausmeier, and members of the Finance Committee:

Thank you for your consideration of Senate Bill 834, which establishes the Scam Awareness Pilot Program to safeguard Maryland residents by raising public awareness of the pervasive and potent threat that online, SMS, and telephone-based scams pose.

Earlier this year, the largest example of a successful SMS scam caused a Kansas bank to fail. What started as a seemingly innocuous text to Heartland Tristate Bank's CEO, Sean Haines, culminated in the transfer of over \$50 million into a fraudulent holding account. This scam, coordinated over several months, caused the bank to go under. This type of scam is called pig butchering¹ because it is designed to "bleed victims dry." Scams are not happening to people who are careless and lack online cyber personal awareness. Sophisticated online scams are highly effective, targeted, and increasingly common, indicating a new trend in tactics.

Scams, particularly those conducted online and via telephone channels, pose a significant threat to Maryland residents, jeopardizing their financial stability and sense of security. In a study by the Johns Hopkins Information Security Institute, 549 participants disclosed that they had collectively lost \$436,098 over the previous several years as a result of online scams. If we extrapolate that sample size to the rest of Maryland, there is an estimated \$3.8 billion in losses in online scams that have occurred over the last several years. From what we do know in reported losses, which is likely to be under-representative because it is self-reported, Maryland residents lost a collective \$164.3 million to various frauds in 2023 alone². The potential tax loss represented here could be between \$4.9 million and \$8.2 million in a single year (assuming an average state tax between 3 and 5%).

¹ A type of scam that takes place over a long-period of time and relies on the scammer building a relationship and trust with the victim, convincing them to invest through a fraudulent business, website, or app. The scammer then severs ties after enough money is collected from the victim. This scam takes place entirely over text and the internet.

² <https://www.thebaltimorebanner.com/politics-power/national-politics/scam-fraud-rates-AXV2SIAQKNCTHIHWYLG4KTTHHI/>

Further data reveals a troubling reality. For example:

- Pig butchering scams, like the scam that brought down the Heartland Tristate Bank, account for \$429 million in losses a year nationally, according to the National Internet Crime Complaint Center.
- Online romance scams cost individuals \$3.3 billion a year nationally.
- The prevalence and success of phishing have grown as AI technology has become more sophisticated.
- While internet crime victims have not massively increased over the past years, the amount of money swindled has. This suggests that fraudsters are working smarter, not harder, selecting their targets more carefully, and stealing about twice as much per successful attempt.

To address the troubling rise in scams, the Communication Subcommittee of the Maryland Cybersecurity Council recommended the creation of the Scam Awareness Program. This bill establishes a two-year pilot for this program, housed in the Consumer Protection Division of the Office of the Attorney General. The Scam Awareness Program Pilot will focus on increasing public awareness of common threats and scams. The program has three key objectives:

1. Identifying the most common types of e-mail, SMS, and telephone scamming methods used against individuals in Maryland;
2. Developing consumer safety messages to help individuals identify common scams and mitigate associated risks; and
3. Disseminating these safety messages effectively through relevant communication channels to reach a wide audience.

To ensure the success of the pilot program, Senate Bill 834 encourages partnerships between the Consumer Protection Division and the academic, nonprofit, and business sectors. These stakeholders will provide valuable input to inform the development of messaging and outreach through their individual networks.

This bill is urgently needed to combat the escalating threat of financial loss posed to Maryland residents by deceptive scam tactics. The Scam Awareness Program Pilot will equip vulnerable individuals with the knowledge to recognize and withstand scams. By supporting this bill, you both demonstrate a commitment to protecting Maryland residents and contribute to the resiliency of our community as we learn to navigate an increasingly complex digital landscape.

For these reasons, I respectfully request a favorable report on Senate Bill 834.

Sincerely,



Senator Katie Fry Hester

Howard and Montgomery Counties

Chair of the Joint Committee on Cybersecurity, Information Technology and Biotechnology