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Testimony in Opposition of HB 1434 Department of Human Services – Electronic Benefits Transfer Cards – Restoration of Benefits Senate Finance and Budget and Taxation Committees, March 21, 2024

HPRP is a non-profit civil legal aid organization that provides free legal services to Marylanders who are experiencing homeless or at risk of homelessness on issues that create barriers to housing and economic stability. HPRP provides free legal services through offices serving Baltimore City, Montgomery County, and Prince George’s County, and advocates for policies that will prevent and end homelessness statewide. HPRP’s Economic Justice Program represents individuals and families who receive Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance (TCA) and Temporary Disability Assistance Program (TDAP) in administrative appeals and advocacy. Many of HPRP’s clients have experienced theft of benefits from the Electronic Benefits Transfer (EBT) card through no fault of their own.

HPRP opposes HB 1434 because it would remove the statutory obligation of the Department of Human Services (DHS) to reimburse stolen benefits if appropriated funds are exhausted mid-year or if nothing is appropriated. We thank the Senate for unanimously passing SB2 last year, the Prevent Electronic Benefits Theft Act of 2023, which guarantees reimbursement of stolen food and cash benefits when a theft occurs.¹ HB1434 would add language to current law to make reimbursement, “subject to the limitations of the state budget” and without requiring a minimum annual required appropriation. Under HB1434, if an annual appropriation proves inadequate to cover reimbursement needs for the entire fiscal year, a low-income family whose benefits are stolen would not receive reimbursement. While we appreciate that the current Administration has been proactive in replacing stolen benefits, HB1434 would allow a future administration to appropriate no funds for reimbursement and victims of theft would be denied reimbursement claims and left with no food or income for the month. Prior to the passage of the Prevent Electronic Benefits Theft Act of 2023, HPRP worked with countless victims of theft who faced eviction, utility shut off, and hunger when their benefits were stolen and not replaced.

Current law is working well to make victims of theft whole and should not be changed.

Although the FY24 budget included \$8.1 million for reimbursement of stolen benefits, DHS has reimbursed over \$22 million in stolen benefits to over 33,000 households due to the statutory obligation to reimburse victims of theft.² Reimbursement of stolen benefits must remain a statutory entitlement under Maryland law: if DHS issues benefits to an EBT card but benefits are intercepted and stolen by an unauthorized third party before the eligible household can spend them, then DHS must replace the benefit in the amount stolen.³ Programs like SNAP, TCA, and TDAP

¹ MD Code, Human Services, § 5-609(b)(2)(ii).

² Data from DHS on reimbursement in Maryland as of March 1, 2024.

³ The statutory entitlement to reimbursement operates similar to other state funded safety net programs, for example TDAP and the state SNAP supplement for adults 62 and older. See e.g. SNAP supplement for adults 62 and older at MD Code, Human Services, § 5-501(d); see also TDAP at MD Code, Human Services, § 5-5B-03 (“...an applicant is entitled to assistance under this subtitle...”).

are entitlement programs. For all recipients who meet the eligibility criteria, “benefits are a matter of statutory entitlement” and not simply a “privilege” or a “right.”⁴ Replacing stolen benefits reduces childhood poverty: 44% of victims of benefit theft in Maryland are children.⁵ The law is working well to make victims of theft whole quickly after theft occurs, minimizing the harm caused by benefit theft.

Maryland must address the root cause of theft by strengthening the security of EBT cards.

To date, the EBT cards in Maryland still lack the smart chip technology that would render the card “much more difficult and expensive...to clone.”⁶ EBT cardholders do not have the same protections when theft occurs as compared to people whose money is on a bank debit or credit card. The magnetic strip on the EBT card, without the microchip technology, make it an inferior financial product and more vulnerable to theft. DHS has not implemented many of the specific security enhancements included in the uncodified language of the Prevent Electronic Benefits Theft Act of 2023, such as: “the inclusion of an embedded microchip in all Electronic Benefits Transfer cards issued on or after October 1, 2023,” limiting transactions during certain hours or prohibiting out-of-state transactions; and “monitoring transactions for suspicious activity by leveraging user behavior analytics of Electronic Benefits Transfer user data to detect when data is being inappropriately accessed or is compromised.”⁷ According to DHS, Maryland will not have chip technology on the EBT card before June 2025.⁸ Security enhancements, such as smart chip technology and the ability of the card holder to prevent out of state purchases, would make EBT cards less vulnerable to theft and significantly reduce the cost of reimbursement.

HPRP welcomes continued collaboration with the Department of Human Services.

HPRP appreciated the opportunity to collaborate with DHS leadership in the launching of benefit reimbursement applications, testing the pilot online application, outreach materials and implementation. We have communicated to DHS concerns over full implementation and compliance with the law.⁹ We are committed to working with DHS, General Assembly, advocates and people with lived experience of benefit theft to effectively engage in community outreach on benefit reimbursement and reducing the vulnerability of EBT cards to theft. While there is already funding for reimbursement budgeted through FY25, we are open to participating in a workgroup to identify additional funding for benefit reimbursement in the future. For example, Federal Temporary Assistance for Needy Families (TANF) funds can be used to replace stolen TCA benefits. In a memo dated March 29, 2023, the federal Office of Family Assistance stated, “We

⁴ *Goldberg v. Kelly*, 397 U.S. 254, 262 (1970).

⁵ MD Department of Human Services, “Electronic Benefits Transfer Cards – Theft of Benefits,” (12/4/23), report to General Assembly pursuant to MD Code, Human Services, § 5-609(f) at page 13. According to the report, there were 36,736 children who experienced theft of food and cash benefits between March 1, 2023 to October 31, 2023.

⁶ Brian Krebs, “How Card Skimming Disproportionately Affects Those Most in Need,” (October 18, 2022) available at <https://krebsonsecurity.com/2022/10/how-card-skimming-disproportionally-affects-those-most-in-need/>

⁷ See SB 2 from 2023 MD General Assembly; see also MD Department of Human Services, “Electronic Benefit Transfer Cards – Theft of Benefits” (December 4, 2023), report submitted to MD General Assembly pursuant to Human Services §5-609(f) at 2-3.

⁸ *Id.* at 3.

⁹ HPRP appreciates that DHS recently announced it will stop limiting and capping reimbursement based on when a theft is reported, the number of claims made, and total amount of stolen benefits, as well as the DHS commitment to review previously denied claims to determine if households are eligible for reimbursement under the law. See MD Department of Human Services, Family Investment Administration Action Transmittal #24-31, “Supplemental Information Regarding AT 23-09 Restoration of Stolen Benefits – Phase III,” (issued 2/6/24), available at <https://dhs.maryland.gov/documents/FIA/Action%20Transmittals-AT%20-%20Information%20Memo-IM/AT2024/24-31%20AT-%20PHASE%20III%20RESTORATION%20OF%20STOLEN%20BENEFITS.pdf>

¹⁰ U.S. Department of Health and Human Services, Office of Family Assistance, Office of the Administration for Children & Families, “Supporting Families Who Are Victims of EBT Theft Due to Card Skimming, Cloning, and Similar Fraudulent Methods” (3/29/23), available at <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2023-02>

encourage states to use non-recurrent, short-term benefits (NRSTs) to help families whose TANF benefits have been stolen by fraudulent means.”¹⁰ According to the Department of Legislative Services Analysis of the DHS FY25 Budget Overview, at the close of FY23, Maryland had \$47.2 million in unspent TANF funds and by the end of FY25, there is expected to be \$35.9 million.¹¹ Maryland could use the TANF surplus to cover reimbursement of stolen TCA if it needed to in the future.

HPRP strongly urges the Committee to issue an unfavorable report on HB 1434. If you have any questions, please contact Michelle Madaio (she/her), Director – Economic Justice at (410) 716-0521 or mmadaio@hprplaw.org.

¹⁰ U.S. Department of Health and Human Services, Office of Family Assistance, Office of the Administration for Children & Families, “Supporting Families Who Are Victims of EBT Theft Due to Card Skimming, Cloning, and Similar Fraudulent Methods” (3/29/23), available at <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2023-02>

¹¹ Department of Legislative Services, Department of Human Services Fiscal 2025 Budget Overview, (January 2024), Exhibit 5, page 20, “Availability of TANF Funding,” available at <https://mgaleg.maryland.gov/pubs/budgetfiscal/2025fy-budget-docs-operating-N00-DHS-Overview.pdf>