



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 494**  
**Campaign Finance - Political Organizations - Prohibitions and Disclosures**

This bill seeks to crack down on entities who are engaged in fraud masquerading as political activity. Scam political action committees (“scam PACs”) are groups that claim to collect donations for a candidate or cause only to pocket the money for themselves. HB 494 will provide the State Board of Elections with enhanced tools to combat scam PACs and to safeguard donors.

**Scam PACs on the Rise**

Scam PACs deceive donors by fundraising under the pretext that they are supporting a specific political candidate or issue-based cause, like fighting cancer or supporting veterans. But instead of supporting a candidate or charity, the money largely or entirely goes into the fraudsters’ pocket or is used to engage in more fundraising, fueling a vicious cycle of political swindling that hurts vulnerable constituents. The most frequent targets are the elderly, who are subjected to scripted calls from telemarketing vendors hired by scam PAC organizers.<sup>1</sup>

The FBI has seen an increase in reports of scam PACs and has advised that donors be on high alert if approached by these types of groups.<sup>2</sup> The Federal Election Commission has also warned of the rise of scam PACs.<sup>3</sup> Scam PACs have proliferated because they skirt federal and state laws on political and charitable fundraising.<sup>4</sup> In return for tax-exempt status, charities generally must register with states, disclose their key employees, and account for how the money is spent – in some cases by providing audited financial statements. These same requirements do not apply to scam PACs.

Effective organizations typically spend no more than 25 percent of their expenses on fundraising and overhead.<sup>5</sup> A key indicator of a scam PAC is when a PAC reports that

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<sup>1</sup> [The scourge of scam PACs | The Week](#)

<sup>2</sup> FBI: [Scam PACs are on the rise](#)

<sup>3</sup> [https://www.fec.gov/resources/about-fec/commissioners/weintraub/statements/2016-09\\_Memo--Scam-PACs.pdf](https://www.fec.gov/resources/about-fec/commissioners/weintraub/statements/2016-09_Memo--Scam-PACs.pdf)

<sup>4</sup> Reuters: [How ‘Scam PACs’ reap millions in the name of heart-tugging causes](#)

<sup>5</sup> Charity Watch: [Our Charity Rating Process](#)

the majority of their expenses go towards ambiguous “fundraising,” “consulting,” or “administrative costs.” This is often a sign that a PAC is not meaningfully engaging in political advocacy, because little or no money is actually being directed to support electoral outcomes. Often such disbursements are made to vendors with personal connections to the PAC organizer, raising concerns of self-dealing.

### **Scam PACs in Maryland**

Unfortunately, scam PACs have taken root here in Maryland, subjecting Marylanders to their illicit fundraising schemes.

- In Catonsville, a scam PAC organizer was charged for stealing over \$1 million from donors by falsely advertising the chance for a dinner with then-candidate Donald Trump. The scam PAC was ultimately brought down for failing to properly file taxes.<sup>6</sup>
- In Annapolis, a scam PAC organizer who raised more than \$20 million was sentenced to three years in prison for defrauding donors. Less than 2 percent of the money the PAC raised actually went to political candidates.<sup>7</sup>
- In Montgomery County, a PAC purporting to raise money for local volunteer firefighters collected \$4.6 million, none of which was donated to any volunteer fire departments.<sup>8</sup>

### **What This Bill Does:**

- Only impacts super PACs and/or participating organizations that file 48-hour reports (i.e. PACs that exist to make independent expenditures).
- Prohibits a PAC from fraudulently claiming to represent a candidate, including false claims of candidate endorsement or support. Federal law has a comparable provision.
- Prohibits self-dealing with vendors owned by PAC organizers or their immediate relatives.
- Mandates additional disclosures by PACs about where their money goes.
- Gives the State Board of Elections the ability to issue subpoenas and impose civil penalties.

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<sup>6</sup> Baltimore Banner: [Fake dinner! Catonsville man who fleeced Trump supporters charged with failure to pay taxes, feds say](#)

<sup>7</sup> Washington Post: [‘Scam PAC’ founder who defrauded Ken Cuccinelli gets three years in prison](#)

<sup>8</sup> Washington Post: [This scammer called the wrong guy asking for money](#)