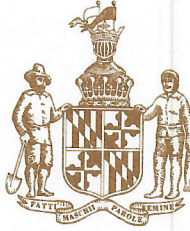


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Education, Energy, and
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Joint Audit and Evaluation Committee
Joint Committee on Federal Relations



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SB458: Scam PACs

House Ways & Means Committee

March 26, 2024 at 1:00pm

This bill seeks to crack down on entities that engage in fraud or self-dealing masquerading as political activity. Scam political action committees (“Scam PACs”) claim to collect donations for a candidate or cause, only to pocket the money for themselves. SB458 will increase transparency for these groups and provide the State Board of Elections (SBE) with enhanced tools to enforce the provisions of the bill 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. Alternatively, it may be 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.¹

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.² The Federal Election Commission has also warned of the rise of Scam PACs.³ Scam PACs have proliferated because they skirt federal and state laws on political and charitable fundraising.⁴ 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 less than 25 percent of their expenditures on fundraising and overhead.⁵ A key indicator of a Scam PAC is when a majority of their expenses go towards ambiguous “fundraising,” “consulting,” or “administrative costs.” This can be a sign that a PAC is

¹ [The scourge of Scam PACs | The Week](#)

² FBI: [Scam PACs are on the rise](#)

³ https://www.fec.gov/resources/about-fec/commissioners/weintraub/statements/2016-09_Memo--Scam-PACs.pdf

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

⁵ Charity Watch: [Our Charity Rating Process](#)

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 about self-dealing.

Scam PACs in Maryland

Unfortunately, Scam PACs have taken root here in Maryland, bringing with them their illicit fundraising schemes:

- In Catonsville, a Scam PAC organizer was charged with stealing over \$1 million from donors by falsely advertising the chance for a dinner with then-Presidential candidate Donald Trump during the 2016 election. The Scam PAC was ultimately brought down for failing to properly file taxes.⁶
- In Annapolis, a Scam PAC organizer who raised more than \$20 million was sentenced in 2020 to three years in prison for defrauding donors. Less than 2 percent of the money the PAC raised actually went to political candidates.⁷
- In Montgomery County, a PAC purporting to raise money for local volunteer firefighters collected \$4.6 million before being charged in 2020, none of which was donated to any volunteer fire departments.⁸

What This Bill Does:

- Only impacts Super PACs and independent expenditure committees;
- Prohibits self-dealing with vendors owned by PAC organizers or their immediate relatives;
- Mandates additional disclosures by PACs about where their money goes; and
- Gives the State Board of Elections the ability to issue subpoenas, prohibit offenders from raising further money, and impose civil penalties.

Amendments:

- Amendment No. 1 simply modified the purpose paragraph; and
- Amendment No. 2 reduced the bill's fiscal note while still allowing the SBE to hire one new staffer to investigate wrongdoing.

This bill passed the Senate unanimously on March 14 (43-0).

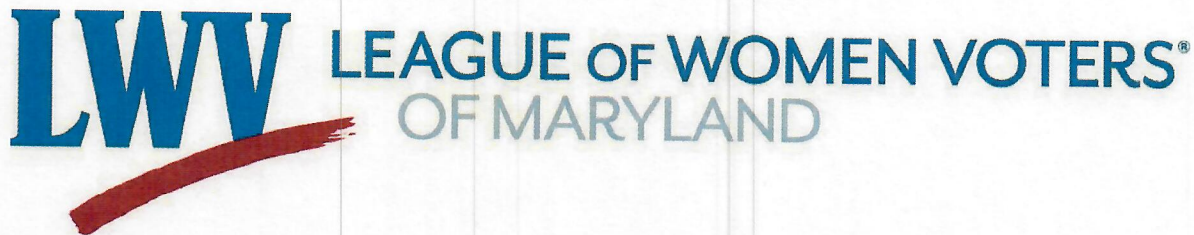
I urge a favorable report for SB458 as amended.

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

⁷ Washington Post: ['Scam PAC' founder who defrauded Ken Cuccinelli gets three years in prison](#)

⁸ Washington Post: [This Scammer called the wrong guy asking for money](#)

SENATE TESTIMONY



TESTIMONY TO THE SENATE EDUCATION, ENERGY, AND ENVIRONMENT COMMITTEE

SB 458 Campaign Finance - Political Organizations - Prohibitions and Disclosures

POSITION – Support

BY: LINDA KOHN

DATE: February 21, 2024

The League of Women Voters has a long-standing position in support of “improved methods of financing political campaigns in order to ensure the public’s right to know, combat corruption and undue influence, enable candidates to compete more equitably for public office and promote citizen participation in the political process.” We therefore support SB 458, which would help ensure full coverage of Maryland’s campaign finance disclosure requirements.

While we understand the requirements of the Supreme Court decision in favor of Citizens United in 2010 regarding independent expenditures on behalf of political campaigns, we note in particular the majority opinion’s comments about the benefits of disclosure of the sources of those funds: “Identification of the source of advertising may be required as a means of disclosure, so that the people will be able to evaluate the arguments to which they are being subjected.” And further: “The First Amendment protects political speech; and disclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.”

We have ample evidence from recent news about the risks of loopholes in campaign finance legislation being exploited by so-called “dark money”. For these reasons, the League of Women Voters fully agrees that Maryland legislation should cover all aspects and participants in political campaigns, and the State Board of Elections and the Maryland Comptroller should be empowered to fully investigate any violations.

We urge a favorable report on SB 458.