

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 551
Ways and Means

(Delegate Cluster, *et al.*)

Election Law - Private Loan to Campaign Finance Entity of Candidate -
Prohibited

This bill prohibits a person, other than a candidate or the candidate's spouse, from making a loan to the campaign finance entity of a candidate.

Fiscal Summary

State Effect: The bill is not expected to materially affect State finances.

Local Effect: The bill is not expected to materially affect local government finances.

Small Business Effect: Minimal or none.

Analysis

Current Law:

Loans to Campaign Finance Entities

A loan to a campaign finance entity is considered a contribution in the amount of the outstanding principal balance of the loan, unless (1) the loan is from a financial institution or other entity in the business of making loans or (2) the loan is to the campaign finance entity of a candidate, repayment of the loan is personally guaranteed by the candidate, and the election cycle immediately following the election cycle in which the loan was made has not ended.

Generally, the terms of a loan to a campaign finance entity must be in writing; include the lender's name, address, and signature; state the schedule for repayment of the loan; state the interest rate of the loan; and be attached to the campaign finance report filed by the campaign finance entity for the reporting period during which the loan was made. A loan by a candidate or the candidate's spouse to a campaign finance entity of the candidate, however, does not have to comply with those requirements.

Contribution Limit

With the exception of contributions to ballot issue committees, transfers between campaign finance entities, and in-kind contributions of a political party central committee or legislative party caucus committee, a person may not make, directly or indirectly, aggregate contributions within a four-year election cycle of more than \$6,000 to any one campaign finance entity.

Penalties

Unless otherwise provided, a person who knowingly and willfully violates State campaign finance law is guilty of a misdemeanor and is subject to a fine of up to \$25,000 and/or imprisonment for up to one year. Unknowing violations are subject to a civil penalty of up to \$5,000.

Background: The Maryland Attorney General's Advisory Committee on Campaign Finance, in its January 4, 2011 report, expressed concern about candidates receiving loans from individuals or entities other than financial institutions or other entities in the business of making loans, for which the candidate personally guarantees repayment. The committee indicated that a candidate may be beholden to a wealthy lender for a large loan once in office, particularly since the repayment period can extend through the election cycle following the election cycle in which the loan was made. The committee recommended expanding liability for unpaid loans, clarifying the statute of limitations for loan-related violations to facilitate more robust enforcement, and improving disclosure for large loans.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Board of Elections; Department of Legislative Services

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Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510