

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 721 (Delegate Hornberger)
 Ways and Means

Election Law - Political Clubs

This bill repeals exemptions under State campaign finance law for political clubs, making political clubs subject to provisions applicable to political committees and campaign finance entities, including filing, disclosure, and reporting requirements, and contribution and transfer limits. A political club in existence before June 1, 2022, is not required to file any campaign finance reports for any period before June 1, 2022. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund expenditures increase by \$264,200 in FY 2023, with ongoing costs in future years. Special fund revenues may increase.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	264,200	229,800	236,100	242,200	248,300
Net Effect	(\$264,200)	(\$229,800)	(\$236,100)	(\$242,200)	(\$248,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances are not materially affected.

Small Business Effect: None.

Analysis

Bill Summary: “Political club” means a combination of two or more individuals who pay dues or make contributions to an entity for the purpose of participating in a political matter.

The bill alters provisions under State campaign finance law that exempt political clubs from requirements or other provisions applicable to political committees and campaign finance entities (defined as political committees established under State campaign finance law), including requirements that a political committee establish and file with the State Board of Elections (SBE) as a campaign finance entity before receiving or disbursing money or any other thing of value. The bill repeals those exemptions, making political clubs subject to the various requirements and other provisions applicable to political committees and campaign finance entities under State campaign finance law, including filing, disclosure, and reporting requirements, and contribution and transfer limits.

The bill also alters provisions under State campaign finance law so that political clubs may file an affidavit with SBE instead of filing a campaign finance report if the club has not raised or spent a cumulative amount of \$1,000 or more.

The bill also repeals a provision that exempts a political club's regular membership dues from a prohibition against paying a person other than a campaign finance entity to defray the costs of a campaign finance entity.

Current Law:

Campaign Finance Entities

Unless otherwise expressly authorized by law, all campaign finance activity for an election under the Election Law Article of the Annotated Code must be conducted through a campaign finance entity (defined as a political committee established under Title 13 of the Election Law Article). An individual may not file a certificate of candidacy or a declaration of intent until the individual establishes, or causes to be established, an authorized candidate campaign committee (a campaign finance entity authorized by the candidate to promote the candidate's candidacy), and any other political committee other than a political club may not receive or disburse money or any other thing of value unless the political committee establishes and files with SBE as a campaign finance entity.

“Political committee” is defined as a combination of two or more individuals that has as its major purpose promoting the success or defeat of a candidate, political party, question, or prospective question submitted to a vote at any election. Political club is not defined under State campaign finance law.

Whether establishing and filing with SBE as an authorized candidate campaign committee or other campaign finance entity, a political committee must include with the filing a statement of organization that includes a statement of purpose specifying (1) each candidate or ballot question, if any, that the political committee was formed to promote or defeat; (2) the identity of each special interest, including any business or occupation, that

the organizers of or contributors to the political committee have in common; and (3) whether the political committee will participate in presidential, gubernatorial, Baltimore City, or multiple elections.

For each election in which a campaign finance entity participates, it generally must file campaign finance reports at various times prior to and after the primary and general elections, as well as an annual report. The reports must contain information required by SBE with respect to all contributions received and all expenditures made by or on behalf of the campaign finance entity during a reporting period.

Instead of filing a campaign finance report, a treasurer may file an affidavit stating that the campaign finance entity has not raised or spent a cumulative amount of \$1,000 or more, exclusive of the filing fee, and regardless of the balance of the campaign account, since (1) establishing the campaign finance entity or (2) filing the campaign finance entity's last campaign finance report. The affidavit must be filed on or before the date a campaign finance report is due to be filed.

Contribution and Transfer Limits

Subject to certain exceptions, a person may not make aggregate contributions of more than \$6,000 to any one campaign finance entity in a four-year election cycle, and a campaign finance entity may not make transfers in a cumulative amount of more than \$6,000 to any one other campaign finance entity in a four-year election cycle.

Political Club Exemptions

As mentioned above, provisions that require a political committee to establish and file with SBE as a campaign finance entity before receiving or disbursing money or any other thing of value do not apply to a political club. Political clubs are also expressly exempted from the requirement to file campaign finance reports. "Transfer" is defined under State campaign finance law as a monetary contribution that is made by one campaign finance entity to another campaign finance entity, other than one made by or to a political club. A prohibition against paying a person other than a campaign finance entity to defray the costs of a campaign finance entity does not apply to regular membership dues of a political club if all of the money that is spent by the political club in connection with any campaign finance activity is paid through a campaign finance entity treasurer.

State Expenditures: General fund expenditures increase by \$264,247 in fiscal 2023, which accounts for a 30-day start-up delay from the bill's June 1, 2022 effective date. The estimate reflects the cost of (1) hiring a full-time auditor within SBE, to audit campaign finance reports filed by additional campaign finance entities under the bill; (2) one-time programming changes to SBE's campaign finance reporting system; and (3) hiring a

prosecutor within the Office of the State Prosecutor to handle additional violations of State campaign finance law resulting from regulation of additional campaign finance entities under the bill. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

While the number of political clubs in the State is not known, or not readily available, this estimate assumes that the bill results in regulation of a considerable number of additional campaign finance entities.

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Salaries and Fringe Benefits	\$228,291
SBE Programming Changes	15,000
Other Operating Expenses	<u>20,956</u>
Total FY 2023 State Expenditures	\$264,247

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

State Revenues: Special fund revenues may increase annually, to the extent regulation of additional campaign finance entities results in additional revenues from campaign finance report late filing fees or other monetary penalties for violations of State campaign finance law. Late filing fees and monetary penalties are deposited in the Fair Campaign Financing Fund.

Additional Information

Prior Introductions: HB 576 of 2021 received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Maryland State Board of Elections; State Prosecutor's Office; Department of Legislative Services

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