

When Life's Not a Beach: Resort Association PAC Fined \$300,000

September 2010

In early August, the Federal Election Commission (FEC) announced that it had reached a \$300,000 settlement with the American Resort Development Association PAC (Resort PAC) for campaign finance violations covering a six-year period. While the circumstances leading to such a large fine are somewhat unique, the lessons learned are not, and serve as a useful reminder of the need for vigilance in complying with the FEC's solicitation, reporting and prohibited source requirements.

According to recently released documents, the matter arose from an audit into Resort PAC's finances and activities between 2003 and 2004. In 2003, the FEC audit found that Resort PAC had misstated its receipts by \$797,501 and its disbursements by \$519,028, with another \$1.27 million in disbursements misstated in 2004. Reports for subsequent years showed several hundred thousand dollars in similar reporting errors. Resort PAC argued that the misreporting stemmed from a misunderstanding of the law and its requirement that all disbursements must be disclosed-not just contributions to federal candidates.

Compounding the PAC's problems, on at least three occasions in 2003 and 2004, the PAC solicited contributions from timeshare owners-without including the proper disclaimers-through periodic property fee billings. At the same time, and continuing until 2007, the PAC also accepted prohibited contributions from corporations and foreign nationals. Using statistical sampling techniques, the FEC determined that nearly 7.8% of the PAC's receipts during the period were from either corporations or foreign nationals.

Authors

Carol A. Laham
Partner
202.719.7301
claham@wiley.law
Andrew G. Woodson
Partner
202.719.4638
awoodson@wiley.law

Taking into account the number and amount of Resort PAC's violations, the FEC sought significant monetary sanctions against the committee. On top of the \$300,000 civil penalty, the FEC required Resort PAC to pay almost \$600,000 more in FEC-required transfers and reimbursements to its member associations and connected organizations to disgorge the prohibited contributions. The committee also implemented other measures, including a program to screen solicitations for foreign addresses, to help prevent recurrence of similar issues in the future.