



September 9, 2023

The Honorable Lina M. Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chair Khan,

As Americans are inundated with telemarketing calls and online scams that prey on their goodwill and civic engagement, I am writing on the steps the Federal Trade Commission and its partners are taking to crack down on fraudulent schemes that use political and charitable causes for private enrichment, and solicit necessary changes to the law to hold these scammers accountable.

While telemarketing for fraudulent causes is not new, the rampant increase of robocalls and the growth of social media have supercharged schemes that deceive or mislead Americans about how their hard-earned donations are directed and used. The known losses are staggering: two recent fundraising networks alone deceived donors out of over \$150 million intended for charity.¹ Another network of scam political action committees (PACs) took in \$140 million over two election cycles.² These entities purported to raise money for political causes, veterans, firefighters, and cancer patients but spent most or all of their donations on fundraising, benefitting their ringleaders and the telemarketing companies they collaborated with.³

Despite some recent prosecutions, the problem of fraudulent charitable scams and deceptive PAC fundraising has persisted and even grown more pernicious. Telemarketers and scammers have begun hiding under the cover of established nonprofit organizations and PACs, allowing them to avoid many of the regulations that would otherwise shed light on their frauds.⁴

¹ <https://www.ftc.gov/news-events/news/press-releases/2021/03/ftc-38-states-dc-act-shut-down-massive-charity-fraud-telefunding-operation>;

<https://www.ftc.gov/news-events/news/press-releases/2020/09/ftc-joins-four-states-action-shut-down-alleged-sham-charity-funding-operation-bilked-millions>.

² <https://www.thedailybeast.com/the-secret-website-behind-a-dollar140-million-scam-pac-network>

³ <https://www.reuters.com/investigates/special-report/usa-fundraisers-scampacs/>

⁴ <https://www.reuters.com/investigates/special-report/usa-fundraisers-scampacs/#sidebar-scampacs>
<https://www.nytimes.com/interactive/2023/05/14/us/politics/scam-robocalls-donations-policing-veterans.html>

For example, when the Commission shut down the Civic Development Group (CDG) for deceptively fundraising for law enforcement organizations, it disclosed that “charities received only 10 to 15 percent of the donations” and the CDG used its role as a consult to evade FTC enforcement.⁵ A recent *New York Times* investigation found one network of telemarketers had raised \$89 million in political donations on behalf of law enforcement, firefighters, and veterans, but had only spent 1% on actual campaign activities and contributions. As the *Times* notes, the group of operatives behind the robocalls used PACs to evade federal and state scrutiny as they directed the majority of funds raised to their own consulting companies and private expenditures.

In order to ensure our laws are robust and vigorously enforced, I am engaged in an oversight and legislative effort to ensure that agencies have sufficient legal tools and resources to stop these deceptive telemarketing schemes. I am considering changes to the law to allow the Federal Trade Commission to enforce consumer protection statutes against nonprofit organizations that enable or benefit from fraud or the violation of telemarketing rules. I am also exploring updates to the rules and penalties for telecom providers and call centers who are complicit in transmitting illegal robocalls.⁶ Finally, I am interested in any barriers to enforcing wire fraud statutes, transparency requirements, and other laws against the perpetrators of charity scams.

As new technologies continue to make scams and robocalls easier, charity and PAC scams are likely to escalate, especially as we approach the upcoming Presidential elections. I therefore urge your agency to use every tool available to fight scam PACs, charity fraud, and other telemarketing scams that prey on Americans’ generosity and political passions. I request your answers to the following questions and a staff-level briefing by September 22, 2023, as I explore legislative solutions to this problem.

- 1.) What is the scope of your agency’s jurisdiction as it relates to charity fraud and scam PACs — including the exploitation of legitimate charities and charitable purposes for private enrichment — and what steps are you taking to address these problems?
- 2.) What issues or limits have you faced, if any, in holding nonprofit organizations or PACs accountable for knowingly enabling or benefiting from donation scams?
- 3.) What statutory or resource constraints, if any, are preventing your agency from more effectively countering these scams?

⁵ <https://www.ftc.gov/news-events/news/press-releases/2010/03/new-jersey-based-telephone-fundraisers-banned-soliciting-donations-will-pay-188-million-violating>
<https://www.ftc.gov/sites/default/files/documents/cases/2007/09/070921cmpe3810.pdf>

⁶ https://www.nclc.org/wp-content/uploads/2022/09/Rpt_Scam_Robocalls.pdf.

- 4.) What changes to the law would enable your agency to bring more enforcement actions or enable more transparency against charitable fraud schemes?

Thank you for your attention to these important issues. I look forward to your response.

Sincerely,

A handwritten signature in blue ink, reading "Richard Blumenthal", is positioned above a horizontal line.

RICHARD BLUMENTHAL
United States Senate

CC: Chair Rosenworcel, Federal Communications Commission
Attorney General Garland, Department of Justice