

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 86 (Chair, Judicial Proceedings Committee)(By Request -
 Departmental - Secretary of State)

Judicial Proceedings

Economic Matters

Charitable Organizations - Registration Late Fees - Distribution and Use

This departmental bill requires revenues from specified late fees payable to the Secretary of State, which currently accrue to the general fund, to be distributed to the Charitable Enforcement Fund. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund revenues decrease by *up to* \$159,000 annually beginning in FY 2019. Special fund revenues increase correspondingly. Special fund expenditures likely increase by up to the amount of additional special fund revenue available each fiscal year, as discussed below.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$159,000)	(\$159,000)	(\$159,000)	(\$159,000)	(\$159,000)
SF Revenue	\$159,000	\$159,000	\$159,000	\$159,000	\$159,000
SF Expenditure	-	-	-	-	-
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: The Secretary of State has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: Chapter 654 of 2014 established the Charitable Enforcement Fund to support the actions of the Secretary of State and the Attorney General in administering and enforcing laws related to charitable giving and charitable assets. The Secretary of State administers the fund. The Act also increased specified fees and dedicated the incremental increases to the fund. Currently, a portion of the annual registration fees paid by professional solicitors (\$50 out of \$250), fundraising counsels (\$50 out of \$350), and large charitable organizations (\$100 out of \$300) accrue to the fund, while the remainder accrues to the general fund.

Generally, a charitable organization must file an annual report with the Secretary of State within six months of the end of the organization's fiscal year. Failure to do so results in a fine of \$25 for each month or part thereof after the report was due. Revenue from late fees accrues to the general fund.

State Fiscal Effect: The Secretary of State advises that revenue from late fees has increased in recent years due to stricter enforcement of filing deadlines. In fiscal 2017, the Secretary of State collected approximately \$159,000 in late fees, up from approximately \$41,000 in fiscal 2015 as a result of the enforcement efforts. It expects revenue from late fees to decrease slowly over time as enforcement encourages compliance with filing deadlines. Therefore, general fund revenues decrease by *up to* \$159,000 annually beginning in fiscal 2019, as revenue from late fees is diverted from the general fund to the Charitable Enforcement Fund. Special fund revenues increase correspondingly.

The Secretary of State indicates that it intends to hire two new staff with the available special fund revenue to enhance enforcement of the Maryland Solicitations Act. The Office of the Attorney General advises that, eventually, new staff hired by the Secretary of State would require the hiring of an assistant Attorney General to meet the increased legal needs that come with additional enforcement activity, paid for by the Charitable Enforcement Fund. The bill does not require any additional enforcement activities to occur – it merely diverts revenue to a special fund. Nevertheless, given this information, special fund expenditures likely increase beginning as early as fiscal 2019 to the extent that the Secretary of State and/or the Office of the Attorney General hire new staff, up to the amount of additional special fund revenue available in any particular year. These expenditures are not reflected in the fiscal analysis because they are not necessitated by the provisions of the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Secretary of State; Office of the Attorney General; Department of Legislative Services

Fiscal Note History: First Reader - January 11, 2018
nb/mcr Third Reader - January 31, 2018

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Registration of Charitable Organizations – Repurposing of Revenues Collected for Registration Violations.

BILL NUMBER: SB 86

PREPARED BY: John Wobensmith

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Small businesses are impacted positively as they support non-profits and provide services (e.g. catering, supplies, events, etc.). 91% of non-profits are small business with annual income of less than \$1,000,000 in revenue and 66% are very small with less than \$25,000 in revenue.

There are 32,000 non-profits in Maryland that employ 263,000 workers, representing 10.6% of the work force in Maryland. Protecting the public trust and dollars contributed to reputable charities is paramount. Support of increased funding to increase enforcement activities protects the integrity and programming of these reputable charities and others across the nation and world who legitimately raise money in Maryland.