

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 16 (Delegate Fulton)

Economic Matters

Lawyers - Fidelity Bonds - Requirements

This bill requires each lawyer to be bonded to reimburse any losses caused by the lawyer's defalcation. The Court of Appeals may adopt rules to set minimum amounts and types of fidelity bond coverage. Lawyers must file attested copies of their bonds with the Court of Appeals.

Fiscal Summary

State Effect: Significant increase in general fund expenditures. No effect on revenues.

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

State Expenditures: According to the Clients' Security Trust Fund, there are currently approximately 28,200 active licensed attorneys in Maryland. Assuming that the bill would require each of these attorneys to file a bond, storage would be a problem. The Court of Appeals advises that its current office building does not have excess space. Other expenses that would be incurred in implementing and administering a bond filing process include filing cabinets, personnel (overtime for existing employees, fees for temporary workers, and/or salaries and benefits for new permanent employees), office furniture and equipment, and computer services and equipment. Further costs would be incurred if the Court of Appeals is required to police attorneys to ensure that bond filing requirements are met. A precise fiscal impact cannot be determined based upon the information contained in the bill, although it appears that the costs would be significant.

It is expected that the Court of Appeals could adopt rules for the filing of bonds using existing resources.

Small Business Effect: This bill would affect small law firms, which would incur additional work and expense in connection with the filing of bonds. Because the bonding amounts and filing procedures are unknown, a precise fiscal impact cannot be determined at this time, but could be significant.

Small bonding companies would receive a potentially significant amount of additional business as a result of the bill.

Small businesses whose funds are misappropriated by their attorneys would obtain an enhanced ability to recover such lost funds as a result of the bill (misappropriated funds may currently be recovered from the Clients' Security Trust Fund and through litigation).

Information Source(s): Clients' Security Trust Fund of the Bar of Maryland, Judiciary (Administrative Office of the Courts, Court of Appeals), Department of Legislative Services

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