

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 75 (Chairman, Judicial Proceedings Committee)
(Departmental - Secretary of State)

Judicial Proceedings

Charitable Solicitations

This departmental bill alters provisions in the Maryland Charitable Solicitations Act.

Fiscal Summary

State Effect: General fund revenue increase of approximately \$109,575 in FY 2001 due to the collection of late fees. In future years, revenues are expected to increase by a lesser amount as charitable organizations adjust to the late fees.

Local Effect: None.

Small Business Effect: The Secretary of State has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill).

Analysis

Bill Summary: The bill provides that certain charitable organizations are exempt only from the registration and disclosure requirements of the Maryland Charitable Solicitations Act (MCSA), and are subject to the prohibited acts and penalty provisions. It also specifies that, while remaining exempt from other registration and disclosure provisions, charitable organizations that either collect annual contributions of \$25,000 or less or solicit contributions for a named individual are required to submit annual fund-raising notices to the Secretary of State.

The bill also authorizes the assessment of a \$25 per month late fee for charitable organizations that fail to file renewal information within 60 days after the official due date.

Beginning in fiscal 2002, the Governor's budget must include funds each year for the Charitable Giving Information Program (CGIP) in an amount equal to or greater than one-half of the late fees collected in the prior fiscal year.

The bill requires charitable organizations, unless otherwise exempt, to apply to register with the Secretary of State before hiring fund-raising counsels. It also requires that professional solicitors and fund-raising counsels, unless exempt, apply to register with the Secretary of State before charitable organizations make fund-raising agreements with them.

Current Law: The way the current law reads, it is not clear what provisions apply to different classes of charitable organizations. In addition, current law has no provisions authorizing a late fee when organizations fail to submit timely annual reports to the Secretary of State. Also under current law, a professional solicitor may not agree to raise money for a charitable organization unless the organization has applied to register with the Secretary of State. No current provisions relate to the same restrictions on fund-raising counsels. There is no requirement that professional solicitors or fund-raising counsels apply to register with the Secretary of State before agreeing to raise money for a charitable organization.

Background: The MCSA serves to protect the citizens of Maryland from deceptive and fraudulent solicitations. The CGIP provides Maryland citizens with access to information about charities so that they can make giving decisions.

State Revenues: The bill assesses a \$25 per month late fee on charitable organizations that fail to file renewal information within 60 days of the due date or an extension date granted by the Secretary of State. As of January 1999 there were 487 organizations that were more than 60 days late in renewing, and some may have been as much as one year late. The Secretary of State advises that this number is relatively constant throughout the year. The organizations that renew and drop off the late list are replaced by other organizations that have just passed their 60-day grace period. The organizations that fail to renew after a month on the late list would owe an additional \$25. Thus, general fund revenues would increase by approximately \$12,175 each month (\$25 times 487 late organizations) or approximately \$146,100 per year. Due to the bill's October 1 effective date, the revenue increase in fiscal 2001 is expected to be \$109,575.

Over time, as organizations adjust to the late penalties, it is expected that fewer organizations would file renewal information late. Thus, the same level of revenues would not necessarily be expected in the out-years.

Beginning in fiscal 2002, the bill requires the Governor to include in the budget funds for the CGIP that are at least one-half of the amount collected in late fees in the prior fiscal year.

Additional Information

Prior Introductions: A bill with these provisions and another, more controversial, provision was introduced in the 1999 session as HB 1018. The bill received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Secretary of State, Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2000
drg/jr Revised - Senate Third Reader - March 21, 2000

Analysis by: Mark Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510