

**Department of Legislative Services**

Maryland General Assembly

2002 Session

**FISCAL NOTE**

**Revised**

Senate Bill 113

(Chairman, Judicial Proceedings Committee)

(Departmental – Secretary of State)

Judicial Proceedings

Commerce and Government Matters

---

**Charitable Solicitations**

---

This departmental bill authorizes the Secretary of State to serve written interrogatories when investigating an alleged violation of the Maryland Solicitations Act. It also authorizes the Secretary of State to assess a late fee of \$25 per month against an applicant for registration as a charitable organization that fails to supply information required by the Maryland Solicitations Act in a timely fashion.

---

**Fiscal Summary**

**State Effect:** Minimal increase in general fund revenues from fees paid by applicants that fail to timely file information. State expenditures would not be affected.

**Local Effect:** None.

**Small Business Effect:** The Office of 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:** Under the bill, if the Secretary of State finds that an applicant for registration as a charitable organization has complied with the Maryland Solicitations Act and the regulations adopted under it, the Secretary of State must approve the application. If the Secretary of State finds that an applicant has not complied with the act and regulations, the bill requires the Secretary of State to notify the applicant of the reasons

and authorizes the Secretary of State to assess a \$25 per month late fee against an applicant that fails to supply the required information after a second notice is sent.

**Current Law:** Under the Maryland Solicitations Act, a charitable organization soliciting in Maryland generally must register with the Office of the Secretary of State. The act also prohibits certain activities and practices by solicitors, including: leading the public to believe that registration is an endorsement or approval by the State; applying a charitable contribution in a way substantially inconsistent with the charitable solicitation; using false or misleading advertising or promotional material; falsely representing that the proceeds of a solicitation or sale will be used for a charitable purpose; and failing to submit required information to the Secretary of State or submitting information that is materially false.

The Secretary of State is authorized to investigate an alleged violation of the Maryland Solicitations Act. In the course of an examination, investigation, or hearing relating to an alleged violation of the act, the Secretary of State may subpoena witnesses, administer oaths, examine an individual under oath, and compel production of records, books, papers, and other documents. Statutory language does not explicitly provide the authority to serve written interrogatories in these instances.

**Background:** During a recent multi-state investigation, it was determined that the Office of the Secretary of State did not have the authority to serve written interrogatories in order to obtain information relevant to the investigation. Pennsylvania's Department of State, a participant in the investigation and the equivalent to Maryland's Secretary of State, has this authority.

Current law permits a late fee for the failure to renew a registration by the expiration date, but the Secretary of State has no authority to assess penalties or fees for failure of applicants to supply information required by the Maryland Solicitations Act. According to the Office of the Secretary of State, a \$25 per month fee would provide incentive to comply in a timely fashion with the law and regulations relating to the registration of charitable organizations. The Office of the Secretary of State also reports that there are currently about 125 charitable organizations that are required to register, but have failed to supply complete information. On average, it takes organizations three to five months to provide complete documentation required for registration.

**State Revenues:** Because it is difficult to predict the magnitude of the deterrent effect of establishing a \$25 per month late fee, the amount of any resulting revenue increase cannot be precisely estimated. As a point of reference, if each of the approximately 125 charitable organizations were to continue to submit information an average of four months late, the Secretary of State could assess \$12,500 in fees on an annualized basis.

Because the fee is intended and expected to have a deterrent effect, the revenue increase would be somewhat less than \$12,500.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 14, 2002  
mam/cer Revised - Senate Third Reader - March 19, 2002

---

Analysis by: Mitchell J. McCalmon

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