

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 398

(Chairman, Economic Matters Committee)

(By Request – Departmental – Secretary of State)

Economic Matters

Education, Health, and Environmental
Affairs

**Secretary of State - Maryland Charitable Solicitations Act - Solicitations
Disclosure Statement**

This bill prohibits a charitable organization from soliciting charitable donations until the organization's registration is approved by the Secretary of State. It also establishes a process for appealing a finding by the Secretary of State that a charitable organization has violated this requirement.

Fiscal Summary

State Effect: None. The bill only affects charitable organizations with registration applications pending before the Secretary of State.

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.

Analysis

Bill Summary: A charitable organization may not solicit contributions in the State, or have solicitations made on its behalf, until it has received a letter from the Secretary of State confirming that it is registered as a charitable organization.

Unless the Secretary of State notifies a charitable organization within 10 days of receiving a registration application that the organization has not complied with the laws and regulations governing charitable solicitations in the State, the applicant is deemed registered. If an applicant receives a notice of noncompliance from the Secretary of State, it may request a hearing with the Secretary of State within seven business days of receiving the notice. The Secretary of State must then hold a hearing within seven business days after a hearing request and render a final decision within three business days of the hearing. The Secretary of State has the burden of proving the applicant's noncompliance during the hearing.

The Circuit Court of Anne Arundel County or other court of competent jurisdiction can restrain or enjoin a person from soliciting a charitable contribution if that person violates the registration requirement.

All written solicitations for charitable contributions, not just requests for money, must contain a disclosure statement.

Current Law: A charitable organization must submit a registration statement to the Secretary of State before soliciting charitable contributions in the State. Applicants do not need to wait for approval from the Secretary of State before making solicitations. Applicants who do not comply with this requirement are subject to a \$25 fee 30 days after receiving a second notice of noncompliance from the Secretary of State.

Only charitable solicitations for money must include a disclosure statement. The disclosure statement must include:

- a declaration that a copy of the charitable organization's current financial statement is available upon request;
- the name, address, and telephone number of the charitable organization; and
- a statement that registration documents and information are available from the Secretary of State.

Background: Currently 258 charitable organizations have registration applications pending in the Secretary of State's office. There are approximately 6,900 charitable organizations already registered in Maryland.

Additional Information

Prior Introductions: SB 79 of 2005 contained some of the provisions of this bill. It received an unfavorable report by Judicial Proceedings.

Cross File: None.

Information Source(s): Secretary of State, Judiciary (Administrative Office of the Courts), Office of Administrative Hearings, Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2006
ncs/rhh

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