

**Department of Legislative Services**  
 Maryland General Assembly  
 2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 146 (Chair, Education, Health, and Environmental Affairs  
 Committee)(By Request - Departmental - Ethics  
 Commission, State)

Education, Health, and Environmental Affairs

Environmental Matters

**Public Ethics - Financial Disclosure Statements - Mutual Funds**

This departmental bill specifies that financial disclosure statements filed pursuant to the Maryland Public Ethics Law need not include a schedule of each interest held by an individual in a mutual fund that is publicly traded on a national scale unless the mutual fund is composed primarily of holdings of stocks and interests in a specific sector or area that is regulated by the individual’s governmental unit.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$500 in FY 2013 for contractual services to update the State Ethics Commission’s electronic financial disclosure system. Revenues are not affected.

| (in dollars)   | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|----------------|---------|---------|---------|---------|---------|
| Revenues       | \$0     | \$0     | \$0     | \$0     | \$0     |
| GF Expenditure | 500     | 0       | 0       | 0       | 0       |
| Net Effect     | (\$500) | \$0     | \$0     | \$0     | \$0     |

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

**Local Effect:** Certain local governments may also incur minimal expenses to modify electronic financial disclosure systems.

**Small Business Effect:** The State Ethics Commission 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

**Current Law:** Under the Maryland Public Ethics Law, various officials are required to file financial disclosure statements with the State Ethics Commission, including State elected officials (other than those in the Judicial Branch, who file with the Judiciary), candidates for those offices, and State employees designated as public officials under standards set out in the law.

Among other information required to be included in a financial disclosure statement, an individual must disclose specified information regarding each interest held by the individual in a corporation, partnership, limited liability partnership, or limited liability company, whether or not the entity does business with the State.

**Background:** The State Ethics Commission indicates that because an individual investor does not have control over the trading of individual holdings in a mutual fund, it is improbable that individuals subject to the financial disclosure requirements can impact the value of a mutual fund to their benefit through the performance of State duties. According to the commission, this change would also make the treatment of mutual funds consistent with the treatment of mutual funds or other interests in certain retirement accounts and college savings plans. The term “interest,” as defined under the Maryland Public Ethics Law, does not include a common trust fund or a trust that forms part of a pension or a profit-sharing plan that has more than 25 participants and is determined by the Internal Revenue Service to be a qualified trust or college savings plan under the Internal Revenue Code.

**State Fiscal Effect:** General fund expenditures are expected to increase in fiscal 2013 by \$500 due to a one-time expense to pay a contractor to update the State Ethics Commission’s electronic financial disclosure system to incorporate the bill’s change. The commission and its staff do not have the ability to modify the system.

**Local Fiscal Effect:** Certain local governments may also incur minimal expenses to modify electronic financial disclosure systems. Local government financial disclosure requirements may have to be altered to be similar to the requirements being modified by this bill. According to the State Ethics Commission, most local governments do not have electronic financial disclosure systems.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Ethics Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - January 27, 2012  
ncs/kdm Revised - Senate Third Reader - March 28, 2012

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Analysis by: Scott D. Kennedy

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510



## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Public Ethics – Financial Disclosure Statements – Mutual Funds

BILL NUMBER: SB 146

PREPARED BY: State Ethics Commission

### 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

The proposed legislation will have no impact on small business in Maryland.