

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 292 (Delegate Stewart)
Environment and Transportation

Public Ethics - Gifts and Lobbyist Registration (Public Integrity Act of 2021)

This bill limits, to \$50, the value of food or beverages officials of the Legislative Branch and members of the General Assembly may accept under the gift provisions of the Maryland Public Ethics Law. In addition, the bill increases the annual lobbyist registration fee from \$100 to \$300; however, at the request of a nonprofit entity, the State Ethics Commission (SEC) must reduce the registration fee for the nonprofit entity to \$100.

Fiscal Summary

State Effect: Special/general fund expenditures for SEC increase by a total of \$50,000 for one-time implementation costs in FY 2022 only. Special fund revenues to the Lobbyist Registration Fund increase significantly beginning in FY 2022. To the extent additional special fund revenues to the Lobbyist Registration Fund remain unspent at the end of any fiscal year, general fund revenues increase.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: With specified exceptions, a Legislative Branch official may not knowingly accept a gift if he or she knows or has reason to know that the gift is from:

- a regulated lobbyist;
- a person doing business or seeking to do business with the General Assembly; or

- a person who has a specific financial interest that may be affected, in a manner distinguishable from the general public, by an action of the General Assembly.

Gifts of Food and Beverages

An official of the Legislative Branch may accept food or beverages received and consumed in the presence of the donor or sponsoring entity as part of a meal or reception to which all members of a legislative unit have been invited. The official need not disclose such gifts in annual financial disclosure statements, and the sponsor of the event need not name individual attendees in lobbying activity reports.

In addition, *during the interim*, a member of the General Assembly may accept food or beverages from a donor or sponsoring entity other than a regulated lobbyist at a location within a county that contains the member's district, provided that the donor or sponsoring entity is located within a county that contains the member's district. The member must report such a gift if its value exceeds \$20.

Finally, a member of the General Assembly may accept food or beverages offered at the time and geographic location of a meeting of a legislative organization for which the member's presiding officer has approved the member's attendance at State expense. The provision applies primarily to a reception sponsored by a lobbyist or interest group at the time of a National Conference of State Legislatures or Eastern Regional Conference of the Council of State Governments meeting. The member need not report these gifts, and the lobbyist/sponsor is not required to report the names of individual members attending.

Lobbyist Registration

A "regulated lobbyist" is any person or entity required to register with SEC because the person or entity has, generally, incurred expenditures and/or received compensation to influence legislative or executive action, as set forth under § 5-702 of the General Provisions Article. A regulated lobbyist must register separately for each entity that has engaged the regulated lobbyist for lobbying purposes.

A regulated lobbyist must file a registration with SEC within five days after first performing an act that requires registration under the Ethics Law and by November 1 annually thereafter. Each registration form must be accompanied by a fee of \$100, which is credited to the Lobbyist Registration Fund.

State Revenues: The bill increases the lobbyist registration fee from \$100 to \$300. Nonprofit entities, however, may request a reduced fee of \$100. As discussed above, registration fees are generally paid annually and are deposited into the Lobbyist Registration Fund, which is used to defray the expenses of administering the lobbying

provisions of the Ethics Law. Any balance remaining in the fund at the end of a fiscal year reverts to the State general fund.

Lobbyist Registration Fund revenues increase, potentially significantly, due to the increased fee under the bill. However, the amount of the increase depends on the number of filings and the extent to which filers are eligible for the reduced, \$100 fee (which is the same as the fee under current law). According to SEC's 2019 annual report, for the lobbying year ending in October 2019, 3,424 registrations were submitted by 717 lobbyists on behalf of 1,505 employers. SEC estimates that approximately 30% to 50% of registered entities may be eligible for the reduced, \$100 fee under the bill. *Under one illustrative scenario*, special fund revenues increase by \$340,000 to \$480,000 annually, assuming that (1) the number of filings remains constant at lobbying year 2019 levels and (2) 30% to 50% of filings are eligible for the reduced, \$100 fee under the bill.

As discussed above, any funds remaining in the Lobbyist Registration Fund at the end of a fiscal year revert to the general fund. Thus, general fund revenues increase to the extent increased Lobbyist Registration Fund revenues remain unspent at the end of any fiscal year.

State Expenditures: SEC advises that the bill's changes to gift provisions and lobbyist registration fees necessitate various changes to its lobbyist registration and reporting system, electronic payment system, and online lobbyist and conflict of interest training programs. SEC further advises that costs related to upgrades to the lobbyist registration and reporting system, electronic payment system, and lobbyist training program would be paid for from the Lobbyist Registration Fund.

One-time contractual costs for upgrades to the lobbyist registration and reporting system, electronic payment system, and lobbyist training program total an estimated \$45,000. One-time costs to update the conflict of interest training program are estimated at \$5,000. Thus, special and general fund expenditures for SEC increase by \$45,000 and \$5,000, respectively, in fiscal 2022 only.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 19, 2021
rh/lgc

Analysis by: Elizabeth J. Allison

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