

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 723 (Senators Feldman and Kagan)
 Education, Energy, and the Environment

Public Ethics - Conflicts of Interest and Blind Trust - Governor

This bill requires the Governor, within six months of taking the oath of office, to (1) place all of the Governor’s interests in a blind trust except those exempted by the State Ethics Commission (SEC), as specified, or (2) divest interests that SEC determines may pose a conflict of interest, as specified. SEC must adopt regulations that, among other things, establish standards and requirements for exempting the Governor’s interests from the blind trust requirement. SEC must publish on its website any blind trust agreement, nonparticipation agreement, and financial disclosures regarding the Governor’s interests. Business entities in which the Governor or specified “restricted individuals” hold interests, as specified, must disclose those interests to SEC if the business seeks to obtain a State grant, competitive award, or contract. Finally, the bill establishes penalties for business entities that fail to comply with the disclosure requirements.

Fiscal Summary

State Effect: General fund expenditures increase by \$95,000 only in FY 2026 for contractual information technology (IT) services. The bill’s penalty provisions are not expected to materially affect special fund revenues.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	95,000	0	0	0	0
Net Effect	(\$95,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Blind Trust

The blind trust must be approved by SEC and operated in accordance with regulations adopted by SEC. For good cause shown, SEC may extend the deadline to complete the establishment of a blind trust or divestiture by a reasonable amount of time.

A Governor-elect must consult with SEC to begin the process of establishing a certified blind trust or divesting of private assets.

The trustee of the blind trust appointed by the Governor must be a financial institution or organization that has at least two years of experience in managing trusts. The trustee is generally prohibited from providing the Governor with any information about the management or income of the trust during the Governor's term of office, except that the trustee may provide the Governor with enough information necessary to file tax returns.

Exempted Interests

The Governor may not fail to include any interest in a blind trust without SEC's written approval. In granting an exemption from the blind trust requirement, SEC must consider issues it determines appropriate to prevent conflicts of interest, including whether the interest:

- involves a closely held corporation or family business;
- is readily marketable;
- has an impact unique to the Governor; or
- is subject to certain restrictions or encumbrances.

Nonparticipation Agreements for Exempted Interests

For interests exempted from the blind trust by SEC, the Governor must enter into a nonparticipation agreement with SEC that prohibits the Governor from participating in any matter involving the exempted interest, including matters before the Board of Public Works (BPW). SEC must post the nonparticipation agreement or agreements online and provide copies to the Presiding Officers, the Joint Ethics Committee, and the Executive Secretary and General Counsel of BPW.

Disclosure of Business Interests

A “restricted individual” is defined as (1) a spouse of the Governor; (2) a parent or stepparent of the Governor; (3) a sibling or stepsibling of the Governor; (4) a child, stepchild, foster child, or ward of the Governor; (5) a mother-in-law or father-in-law of the Governor; (6) a son-in-law or daughter-in-law of the Governor; (7) a grandparent of the Governor or the Governor’s spouse; (8) a grandchild of the Governor; or (9) except for an employee of the Governor, any individual who resides in the Governor’s primary residence.

If the Governor or a restricted individual, together or separately, hold at least 10% of capital stock in a corporation or any interest in a limited liability partnership or limited liability corporation, the business entity must disclose that interest to SEC if it is seeking a State grant, competitive award, or contract (including the sale or purchase of real or personal property). SEC must post any report it receives from a business entity on its website. A business that fails to make the required notification to SEC is guilty of a misdemeanor and subject to a maximum fine of \$10,000 or imprisonment of up to one year, or both. A fine must be distributed to the Fair Campaign Financing Fund.

With each solicitation published on eMaryland Marketplace beginning October 1, 2025, the Department of General Services (DGS) must include a check-off box for a bidder or offeror to disclose an ownership interest by the Governor or other restricted individuals.

Annual Certification

The Governor must annually certify compliance with the bill’s provisions. In addition, by January 31 of each year, the Governor must certify to SEC that the Governor has:

- obtained no new interests in the immediately preceding year that are not included in the blind trust; or
- entered into a nonparticipation agreement with SEC for any new interest obtained in the immediately preceding year that was not included in the blind trust.

Application

By July 1, 2026, SEC must review and update its regulations governing blind trusts and restrictions on employment, financial interests, and participation in State matters. The bill’s provisions apply to the Governor when the regulations take effect, and the Governor must comply with the bill’s requirements within six months after the regulations take effect.

Current Law:

“Interest,” as defined under the State Ethics Law, means a legal or equitable economic interest that is owned or held wholly or partly, jointly or severally, or directly or indirectly, whether or not the economic interest is subject to an encumbrance or condition. An interest does not include, among other exclusions, an interest in an insurance policy, endowment policy, or annuity contract, as specified, or in a mutual fund or exchange-traded fund that is publicly traded, as specified.

Fines for violations of the State Ethics Law are paid to Fair Campaign Financing Fund.

“eMaryland Marketplace” or “eMaryland Marketplace Advantage” means the Internet-based procurement system managed by DGS.

Financial Disclosure Statements

With specified exceptions, a public official, State official, or candidate for office as a State official must file an annual financial disclosure statement with SEC. Statements generally must disclose (1) interests in real property; (2) interests in corporations and partnerships; (3) interests in and employment by business entities doing business with the State; (4) debts owed to entities doing business with or regulated by an individual’s governmental unit; (5) family members employed by the State; (6) sources of earned income; and (7) gifts, as specified. A financial disclosure filer may exclude assets held in a blind trust from a disclosure statement.

A filer must disclose an interest held by (1) a spouse or child of an individual, if the interest was controlled, directly or indirectly, by the individual at any time during the applicable period; (2) a business entity in which the individual held a 30% or greater interest at any time during the applicable period; or (3) a trust or estate in which, at any time during the applicable period, the individual held a reversionary interest, was a beneficiary, or was a settlor, if a revocable trust.

Participation Restrictions

An official or employee generally may not participate in a matter if (1) the official or employee or a qualifying relative has an interest in the matter and the official or employee knows of the interest or (2) if a business entity with a specified relationship to the official or employee is a party to the matter.

An official or employee who otherwise would be disqualified from participation in a matter must disclose the nature and circumstances of the conflict and may participate or act if (1) the disqualification would leave a body with less than a quorum capable of acting;

(2) the disqualified official or employee is required by law to act; or (3) the disqualified official or employee is the only individual authorized to act.

Board of Public Works

BPW, which consists of the Governor, Treasurer, and Comptroller, approves appropriations from State loans authorized by the General Assembly and appropriations for capital improvements, except those for State roads, bridges, and highways. BPW approves leases, contracts, and public-private partnership agreements executed by State agencies and is responsible for the adoption and promulgation of rules, regulations, and procedures for administering the State procurement law. The amount and timing of bond sales are also approved by BPW.

State Expenditures: General fund expenditures by SEC increase by \$75,000 in fiscal 2026 for contractual IT services to update two separate electronic training programs and update programming to the agency's website to allow for additional information to be publicly available. SEC advises that all updates to electronic training systems are done by vendors. Further, general fund expenditures for DGS increase by \$20,000 in fiscal 2026 for contractual IT services to add the check-off box to eMaryland Marketplace. Thus, State expenditures are expected to increase by a combined total of \$95,000 only in fiscal 2026.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 932 (Delegates Korman and Boyce) - Environment and Transportation.

Information Source(s): Board of Public Works; Department of General Services; Department of Public Safety and Correctional Services; Governor's Office; Ethics Commission; Judiciary (Administrative Office of the Courts); Maryland State Commission on Criminal Sentencing Policy; Office of the Public Defender; Baltimore, Cecil, and Frederick counties; State Department of Legislative Services

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Analysis by: Kayvon Samadani

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