



COMMISSION MEMBERS:

CRAIG D. ROSWELL, *Chair*
KAREN D. MORGAN
MARIELA OLIVARES
JAMES N. ROBEY, JR.
GENEAU M. THAMES

STATE ETHICS COMMISSION

**45 CALVERT STREET, 3rd FLOOR
ANNAPOLIS, MARYLAND 21401
410-260-7770 / 1-877-669-6085**

JENNIFER K. ALLGAIR
Executive Director
WILLIAM J. COLQUHOUN
General Counsel
KATHERINE P. THOMPSON
Staff Counsel
ANA L. HENRY
Assistant General Counsel
PANSY S. WATSON
Assistant Counsel

February 24, 2025

Senate Bill 723 – Public Ethics – Conflicts of Interest and Blind Trust - Governor

Testimony Before the Education, Energy and Environment Committee

The State Ethics Commission provides this informational written testimony to explain the impact of this proposed legislation on the agency.

The State Ethics Commission currently has regulations (COMAR 19A.06) detailing the process to review and approve a blind trust for a State employee or official, including the Governor. The existing regulations outline the two-part review process of certifying that the blind trust meets established criteria and the subsequent approval of the blind trust by the State Ethics Commission. The existing regulatory requirements for blind trusts include criteria related to the independence of a trustee, approval of assets eligible to be included in the blind trust, acknowledgment of restrictions related to trust assets information, and prohibitions from obtaining new interests. The regulations also provide that blind trust documents are available for public inspection and that assets included in an approved trust are exempt from additional inclusion in an annual financial disclosure statement. This legislation codifies many of the existing requirements of the Commission's regulations into the provisions of the Public Ethics Law and adds additional elements of compliance, reporting and public disclosure.

This legislation also establishes the requirement for a Governor-elect to consult with the State Ethics Commission about the blind trust process, sets a statutory time frame for a Governor to place interests into a certified and approved blind trust, and requires a nonparticipation agreement acknowledging conflict of interest restrictions for any remaining interests held by a Governor that are not eligible to be placed in the blind trust. The State Ethics Commission often begins working with elected officials prior to the date they take office to begin the process of addressing conflict of interest issues and provides guidance on participation and other restrictions under the Public Ethics Law. This legislation establishes an accelerated process on these matters.

This legislation will also require the State Ethics Commission to create new disclosure forms for any business entity seeking to obtain a State grant, contract, or competitive funding award to report any interest in the business held by the Governor or certain restricted individuals with specific relationships to the Governor. The State Ethics Commission will also be required to make these disclosure forms publicly available on its website.

This legislation will have both a significant fiscal and operational impact on the agency. In order to implement the changes and requirements of this legislation, the State Ethics Commission will have to update two separate electronic training programs to reflect these legislative changes, update programming to the agency's website to allow for additional information to be publicly available, draft new forms for disclosure of interests in business entities held by the Governor or certain restricted individuals, update the agency's regulations and update all relevant informational memorandum to reflect all changes from this legislation. All updates to electronic training systems require outside vendor services. Updates to agency information technology systems are likely to result in costs from either outside vendors or the Department of Information Technology. Agency staff may have to seek additional training or education on related topics to ensure proper implementation of this legislation. The agency estimates that the costs for these outside vendor services and technical assistance are approximately \$75,000.