



BILL NO.: House Bill 1177

TITLE: Ethics – Financial Disclosure by Local Elected Officials and County Boards of Education

POSITION: **SUPPORT**

DATE: March 6, 2012

COMMITTEE: Environmental Matters

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The Maryland Association of Counties (MACo) **SUPPORTS** House Bill 1177. With the proposed sponsor amendments, the bill would modify financial disclosure reporting requirements for local officials so that the reporting requirements are more commensurate with the scope of their authority and power, and provide more consistency with other financial disclosure provisions.

As amended, HB 1177 would authorize a local government or school board to require an elected official or school board member to disclose certain holdings in business interests only if the business entity does business with or is regulated by the local government or school board. If the business interest becomes disclosable after the most recent reporting period, the official or board member has 30 days to disclose the interest after learning that the interest is disclosable. Amendments would create similar provisions for the disclosure of property holdings, indebtedness, and family income.

Prior legislation (SB 315 of 2010) required local governments and school boards to adopt financial reporting and conflict of interest disclosure requirements that are at least as strict as State reporting requirements. MACo did not object to the legislation and counties have worked with the State Ethics Commission to alter their existing local reporting requirements. However, the reporting provisions apply a “one size fits all” approach that fails to acknowledge the differences between the State and local levels of government.

An individual who chooses to become an elected official or school board member must be prepared to give up a certain level of privacy regarding his or her personal life and business dealings. Citizens have a right to determine if an official is acting for personal gain or putting the interests of the official before the interests of the public and disclosure requirements play an important role in making such a determination.

However, disclosure requirements should also be commensurate with the general level of authority and power of the official. Local elected officials have far less power and operate on a far smaller geographic scope than State or nationally elected officials. At the local level, it can be difficult to attract qualified candidates for a particular position. Requiring the disclosure of all business interests at the local level, regardless of whether the business entity does business with or is regulated with the locality, is onerous and goes beyond what is necessary to accomplish the goals of the disclosure requirements.

Additionally, HB 1177 would make the financial disclosure reporting requirements more consistent. For most disclosure requirements for business interests, the disclosure is limited to entities doing business with the applicable governmental unit. Such a disclosure requirement makes sense as there is a significant possibility of a conflict or possible influence as the official has a direct financial interest in the business entity's relationship with the governmental unit. However, the possibility of a conflict or potential influence becomes much more diffuse for business interests that are completely unconnected to the locality. The provisions of HB 1177 would provide a better level of consistency with other financial disclosure requirements.

It is important to note that if a local official has an interest in a business entity that does not do business with or is regulated by the local government but the official will be considering legislation or government action that would affect the business entity, then disclosure may still be required under the conflict of interest provisions.

HB 1177 would modify the financial reporting disclosure system to better acknowledge the differing power levels and geographic scope of State and local governmental units while still preserving the public's ability to detect potential conflicts. The bill would also allow for the more uniform application of reporting requirements at the local level and lessen a perceived barrier to local public service. Accordingly, MACo recommends the Committee issue a **FAVORABLE** report on HB 1177.