


**MEMORANDUM**

April 13, 2018

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: Bill 2-18, Ethics – Conflicts of Interest – Financial Disclosure – Lobbying – Amendments

PURPOSE: Action on Bill - Roll call vote required

<p><b>Government Operations and Fiscal Policy Committee recommendation (3-0): enact the Bill with amendments</b></p>
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Bill 2-18, Ethics – Conflicts of Interest – Financial Disclosure – Lobbying – Amendments, sponsored by Lead Sponsor Council President at the request of the Ethics Commission, was introduced on February 6, 2018. A public hearing was held on March 6 at which there were no speakers. A Government Operations and Fiscal Policy Committee worksession was held on March 15.

Bill 2-18 would:

- (1) limit the participation of a public employee in any matter affecting a party who the employee was hired to lobby for in the prior year;
- (2) prohibit a person serving as County Executive or Councilmember from certain lobbying for one year after leaving office;
- (3) require the Ethics Commission to redact the home address of a public employee from a financial disclosure statement made available for inspection or copying;
- (4) require a public employee to disclose income from certain lobbying on a financial disclosure statement;
- (5) repeal the requirement for a regulated lobbyist to submit an authorization to lobby from the individual or organization hiring the lobbyist;
- (6) modify the financial disclosure requirements for officers and employees of the Arts and Humanities Council and a community media organization; and
- (7) establish certain exceptions to the restrictions on outside employment of police officers and fire/rescue employees if expressly authorized by regulation.

## **Background**

Md. Code Ann., Gen. Prov. Art. §5-807 requires the County to enact a public ethics law for its officials and employees consistent with the State Ethics Law. Section 5-807(b) requires the County Ethics Commission to certify compliance with these provisions to the State Ethics Commission. Gen. Prov. Art. §§5-808 and 5-809 require the County Ethics law to be “similar” to the conflict of interest and financial disclosure provision of the State Ethics Law for employees and “equivalent to or exceed” those provisions of the State Ethics Law for County elected officials.

Bill 39-14, Ethics – Amendments, enacted by the Council on July 21, 2015, signed into law by the Executive on July 31, 2015, and effective October 30, 2015, made some significant amendments to the County Ethics Law to conform to the State Ethics Law. On September 10, 2015, the State Ethics Commission reviewed the County Ethics Law, as amended by Bill 39-14, and concluded that it conformed to the State Ethics Law with several minor exceptions. In response, the Council enacted Bill 49-15, Ethics – Update on February 2, 2016 amending the County Ethics Law to satisfy the State Commission’s concerns. After the enactment of Bill 49-15, the State Ethics Commission approved the County’s Ethics Law as satisfying the State law requirements.

On October 3, 2017, the State Ethics Commission requested the County to again amend its Ethics Law to conform to amendments to the State Ethics Law enacted during the 2017 General Assembly Session in the Public Integrity Act of 2017, Chapter 31 of the 2017 Laws of Maryland. See the State Ethics Commission letter at ©11-14. The County Ethics Commission submitted Bill 2-18 to the Council to amend the County Ethics Law to conform to the new amendments to the State Ethics Law. See the transmission memorandum from Robert Cobb, Staff Director and General Counsel for the County Ethics Commission at ©15-19.

## **Public Hearing**

There were no speakers at the public hearing.

## **Issues**

### **1. What is the fiscal and economic impact of the Bill?**

The Ethics Commission reported that the Bill would not increase the Commission’s budget or workload. OMB estimated that the Bill is not expected to have a fiscal or economic impact. See ©20-24.

### **2. Prohibition on lobbying by a former Councilmember or Executive for one year after leaving office.**

The Bill, as introduced, would add the following new restriction:

- (d) A person serving as County Executive or Councilmember must not engage in lobbying for which lobbying registration would be required under this Chapter for one year after leaving office.

The State Ethics Law, MD Code, General Provisions, § 5-504(d) states:

(ii) Except as provided in subparagraph (iii) of this paragraph:

1. a former member of the General Assembly may not assist or represent another party for compensation in a matter that is the subject of legislative action for one calendar year from the date the member leaves office; and
2. a former Governor, Lieutenant Governor, Attorney General, Comptroller, or State Treasurer may not assist or represent another party for compensation in a matter that is the subject of legislative action for one calendar year from the date the official leaves State office.

(iii) The limitation under subparagraph (ii) of this paragraph on representation by a former member of the General Assembly or by a former Governor, Lieutenant Governor, Attorney General, Comptroller, or State Treasurer does not apply to representation of a municipal corporation, county, or State governmental entity.

County Code §19A-21 requires a person to register as a lobbyist if the person communicates with a public employee “to influence executive or administrative action by a County agency” or to “influence legislative action by a County agency.” Therefore, the Bill, as introduced, would be more restrictive than the State Ethics Law by prohibiting lobbying to influence executive or administrative action in addition to influencing legislative action. The Bill, as introduced, also would not include the exception for representing a municipal corporation, a county, or a State entity. The GO Committee decided to amend the Bill to mirror the restriction required in the State Ethics Law. See lines 122-126 of the Bill at ©6, which states:

(d) A person serving as County Executive or Councilmember must not engage in lobbying to influence a legislative action for which lobbying registration would be required under this Chapter for one calendar year after leaving office except to represent a municipal corporation, a county, or a State government entity.

**Committee recommendation (3-0):** approve this amendment to the Bill to mirror the restrictions in the State Ethics Law.

### **3. Prohibiting the public disclosure of a public employee’s home address.**

Effective January 1, 2019, the State Ethics Commission is prohibited from providing public access to the portion of a financial disclosure statement that contains an individual’s home address. See Ethics Law §5-606(a)(3).<sup>1</sup> Lines 130-132 at ©6 include this prohibition for the County Ethics Commission’s handling of a financial disclosure statement. **Committee recommendation (3-0):** approve this amendment to the County Ethics Law.

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<sup>1</sup> The Maryland Public Information Act, MD Code, General Provisions, § 4-331, already restricts the release of a County employee’s home address and telephone number.

**4. Restrictions on a former lobbyist who becomes a public employee.**

The State Ethics Law, §5-501(a)(1), now prohibits a former lobbyist who becomes a public employee from working on a specific matter affecting a party the former lobbyist represented as a lobbyist for 1 calendar year after terminating registration as a lobbyist.

Lines 38-40 of the Bill at ©3 would import this new restriction into the County Ethics Law. **Committee recommendation (3-0):** approve this amendment to the County Ethics Law.

**5. Include lobbying activity of public employee's spouse on financial disclosure statement.**

State Ethics Law, §5-607(i) requires a public employee to include the entities who retained the employee's spouse as a lobbyist during the year. Lines 140-142 of the Bill at ©7 would add a requirement for a public employee to list the name and address of any entity that hired the filer's spouse as a lobbyist. **Committee recommendation (3-0):** approve this amendment to the County Ethics Law.

**6. Requiring a lobbyist to submit a written authorization from the entity that hired the lobbyist.**

The County Ethics law requires a lobbyist to submit a written authorization to lobby on behalf of the entity hiring the lobbyist. The State Ethics law no longer requires this. The County Ethics Commission recommends that this requirement be dropped and replaced by a self-certification by the lobbyist for administrative reasons.

Lines 158-184 of the Bill at ©7-8 would accomplish this. **Committee recommendation (3-0):** approve this amendment to the County Ethics Law.

**7. Financial disclosure for employees of the Arts and Humanities Council and Community Media organizations.**

The County Ethics Law requires employees of the Arts and Humanities Council and Community Media organizations to file a confidential financial disclosure statement under the County Ethics Law. As required by State law, Bill 39-14 eliminated confidential financial disclosure statements. In addition, these employees are not public employees under the County Ethics Law. The County Ethics Commission recommends amending the law to direct these employees to file a statement of relevant activities to the governing board of the organization. Lines 5-23 of the Bill at ©2 would accomplish this. **Committee recommendation (3-0):** approve this amendment to the County Ethics Law.

**8. Police Outside Employment.**

The GO Committee reviewed proposed Ethics Regulation 22-16AM and Executive Regulation 4-17 on February 8, 2018. The GO Committee heard from the Ethics Commission Staff Director/Chief Counsel, the Police Chief, and the President of the FOP Lodge 35 concerning police outside employment. The Ethics Commission proposed a regulation that would prohibit a

police officer from working outside employment in the District the officer is assigned to work. Both the Police Chief and the FOP agreed that police officers should be allowed to do this if it is otherwise authorized by Executive Regulation 4-17. ER 4-17 is based upon the FOP collective bargaining agreement and contains several restrictions on a police officer's ability to work this type of outside employment.

The GO Committee recommended (3-0) approval of both regulations if:

1. Ethics Regulation 22-16AM is amended to permit police officers to perform outside employment in their assigned District;
2. Ethics Regulation 22-16AM is amended to permit police officers to work outside employment as a teacher in uniform;
3. the stakeholders agree on provisions requiring police officers to use the Ethics Commission online application for outside employment;
4. the parties agree on provisions governing the 3-year recertification of approval for outside employment, including using the Ethics Commission online system to automatically notify an officer if the 3-year approval is about to expire; and
5. the parties agree on the percentage of ownership that triggers the prohibition on working for a business owned by a supervisor or a person the employee supervises.

Based upon the request of the Ethics Commission, the Committee requested Council staff to prepare an amendment to the Ethics law to permit police officers to use their uniforms and equipment for certain types of outside employment authorized by an Executive Regulation.

Council staff discussed these issues with the Ethics Commission Staff Director/Chief Counsel and the County Attorney's Office. Staff Director Cobb discussed several proposed amendments to the Ethics Law with the Ethics Commission at their first meeting after the March 15 GO Committee worksession. Absent legislation to authorize outside employment in a district where an officer is assigned, the Ethics Commission believes it cannot authorize it by regulation. Based upon the direction of the GO Committee at the February 8 worksession on the regulations, Council staff worked with Staff Director Cobb and Ed Lattner in the County Attorney's Office to draft several amendments to authorize this type of police outside employment and break this impasse.

Both Code §19A-12 Restrictions on other employment and business ownership, and Code §19A-14, Misuse of prestige of office; harassment; improper influence, potentially restrict police outside employment with a police uniform and equipment for an employer located in the police officer's assigned district.<sup>2</sup>

Section 19A-14 provides:

- (a) *Unless expressly authorized by regulation or as may be permitted under Section 19A-16, a public employee must not intentionally use the prestige of office for private gain or the gain of another. Performing usual and customary constituent services, without additional compensation, is not prohibited by this subsection.*

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<sup>2</sup> Some police officers are not assigned to a specific district and work throughout the County.

The general provision here would prohibit a police officer from performing any outside employment using the officer's uniform or equipment. However, the restriction does not apply if it is expressly authorized by regulation. ER 4-17, if approved by the Council, would expressly authorize a police officer to work certain outside employment using the officer's uniform and equipment. Therefore, no amendment to the Ethics Law is required to permit this under §19A-14 if the Council approves ER 4-17.

Section 19A-12 provides:

- (b) *Specific restrictions. Unless the Commission grants a waiver under subsection 19A-8(b), a public employee must not:*
  - (1) *be employed by, or own more than one percent of, any business that:*
    - (A) *is regulated by the County agency with which the public employee is affiliated; or*
    - (B) *negotiates or contracts with the County agency with which the public employee is affiliated; or*
  - (2) *hold any employment relationship that could reasonably be expected to impair the impartiality and independence of judgment of the public employee.*

The Ethics Commission interprets §19A-12 to prohibit a police officer from working outside employment in the district the officer is assigned because any organization located in the officer's district is regulated by the officer's agency. Council staff disagrees with this expansive interpretation of this restriction, but the Council can resolve this dispute by enacting the following amendment to §19A-12:

- (c) *Exceptions.*
  - (1) Subsections (a) and (b) do not apply to:
    - [(1)] (A) a public employee who is appointed to a regulatory or licensing body under a statutory provision that persons subject to the jurisdiction of the body may be represented in appointments to it;
    - [(2)] (B) a public employee whose government duties are ministerial, if the employment does not create a conflict of interest;
    - [(3)] (C) a member of a board, commission, or similar body in regard to employment held when the member was appointed if the employment was publicly disclosed before appointment to the appointing authority, and to the County Council when confirmation is required. The appointing authority must forward a record of the disclosure to the Commission, which must keep a record of the disclosure on file; or

[(4)] (D) an elected public employee in regard to employment held at the time of election, if the employment is disclosed to the County Board of Elections before the election. The Commission must file the disclosure received from the County Director of Elections with the financial disclosure record of the elected public employee.

(2) If expressly authorized by regulation, subparagraph (b)(1)(A) and paragraph (b)(2) do not prohibit a police officer from working outside employment for an organization solely because that organization is located in the County or in the district where the officer is assigned.

The Ethics Commission is also concerned that a police officer who is working outside employment may be placed in a conflict situation if they are required to exercise their police powers while working outside employment. The Commission requested an amendment to Code §19A-11 restricting the participation of a public employee in certain matters that could raise a potential conflict of interest. For example, a police officer (or a fire rescue employee) could be called to respond to an emergency at a building in the County owned by the officer or a relative of the officer. No one would expect a police officer or firefighter to ignore an emergency because of this type of potential conflict. The following amendment to §19A-11 on lines 69-76 of the Bill on ©4 would resolve this issue.

(6) If expressly authorized by regulation, subsection (a) does not apply to:  
(A) a police officer's exercise of the officer's police authority during approved outside employment; or  
(B) a police officer or fire/rescue employee who is exercising the employee's official duties in an emergency affecting a business or property in which the employee or a relative of the employee has an economic interest.

If the Council enacts these amendments to §§19A-11 and 19A-12, the Ethics Commission and the Executive agreed to amend both the Ethics Commission Regulation 22-16AM and ER 4-17 to be consistent with the GO Committee's direction. The Executive would have to amend ER 4-17 to expressly permit a police officer to work outside employment in the district where the officer is assigned. **Committee recommendation (3-0):** approve these amendments to §§19A-11 and 19A-12(c).

This packet contains:

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Bill No. 2-18  
Concerning: Ethics – Conflicts of Interest  
– Financial Disclosure – Lobbying –  
Amendments  
Revised: April 12, 2018 Draft No. 7  
Introduced: February 6, 2018  
Expires: August 6, 2019  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the request of the Ethics Commission

### AN ACT to:

- (1) limit the participation of a public employee in any matter affecting a party who the employee was hired to lobby for in the prior year;
- (2) prohibit a person serving as County Executive or Councilmember from certain lobbying for one year after leaving office;
- (3) require the Ethics Commission to redact the home address of a public employee from a financial disclosure statement made available for inspection or copying;
- (4) require a public employee to disclose income from certain lobbying on a financial disclosure statement;
- (5) repeal the requirement for a regulated lobbyist to submit an authorization to lobby from the individual or organization hiring the lobbyist;
- (6) modify the financial disclosure requirements for officers and employees of the Arts and Humanities Council and a community media organization;
- (7) establish certain exceptions to the restrictions on outside employment of certain police officers and fire/rescue employees; and
- (8) generally amend the law governing conflicts of interest, financial disclosure, and lobbying.

By amending

Montgomery County Code  
Chapter 5A, Arts and Humanities  
Section 5A-4  
Chapter 8A, Cable Communications  
Section 8A-32  
Chapter 19A, Ethics  
Sections 19A-11, 19A-12, 19A-13, 19A-18, 19A-19, 19A-21, 19A-22, and 19A-23

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*



1       **Sec. 1. Sections 5A-4, 8A-32, 19A-11, 19A-12, 19A-13, 19A-18, 19A-19,**  
 2       **19A-21, 19A-22, and 19A-23 are amended as follows:**

3       **5A-4. Council Membership and Organization.**

4                                       \*                       \*                       \*

5       (d)   The Arts and Humanities Council must require each officer and director,  
 6           and the executive director to [file a confidential financial disclosure  
 7           statement under Chapter 19A] annually disclose, confidentially and in  
 8           writing, [covering] all activities and interests related to arts and  
 9           humanities organizations, programs, or funding to the governing board of  
 10          directors for the Arts and Humanities Council. Each officer and director,  
 11          and the executive director of the Arts and Humanities Council is a public  
 12          employee under Sections 19A-11 and 19A-14 for any matter in which the  
 13          person participates for the Council. The Council must adopt and apply  
 14          policies and procedures to ensure that its actions are fair, unbiased, and  
 15          non-partisan.

16                                       \*                       \*                       \*

17       **8A-32. Community media organizations.**

18                                       \*                       \*                       \*

19       (e)   Any officer, director, or executive director of a community media  
 20           organization must [file a confidential financial disclosure statement]  
 21           annually disclose, confidentially and in writing, [under Chapter 19A with  
 22           respect to] any communications-related activity or interest to the  
 23           governing board of directors for the community media organization.

24                                       \*                       \*                       \*

25       **19A-11. Participation of public employees.**

26       (a)   Prohibitions. Unless permitted by a waiver, a public employee must not  
 27           participate in:

(1) any matter that affects, in a manner distinct from its effect on the public generally, any:

(A) property in which the public employee holds an economic interest;

(B) business in which the public employee has an economic interest; or

(C) property or business in which a relative has an economic interest, if the public employee knows about the relative's interest;

\* \* \*

(3) any case, contract, or other specific matter affecting a party for whom, in the prior year, the public employee was required to register to engage in lobbying activity under this Chapter.

(b) *Exceptions.*

(1) If a disqualification under subsection (a) leaves less than a quorum capable of acting, or if the disqualified public employee is required by law to act or is the only person authorized to act, the disqualified public employee may participate or act if the public employee discloses the nature and circumstances of the conflict.

(2) Subsection (a) does not apply to an administrative or ministerial duty that does not affect an agency's decision on a matter.

(3) Paragraph (a)(1) does not apply to a public employee who is appointed to a regulatory or licensing body under a statutory provision that persons subject to the jurisdiction of the body may be represented in appointments to the body.

(4) Subparagraph (a)(2)(A) does not apply to a public employee, if the County Executive or the County Council appoints the public employee to serve as an officer, director, or trustee of a business to represent the public interest.

(5) Subparagraph (a)(2)(A) does not apply to a public employee who is an officer, director, or trustee of an organization, if the public employee discloses the relationship, is not compensated by the organization, and has no:

(A) managerial responsibility or fiduciary duty to the organization;

(B) authority to approve the organization's budget;

(C) authority to select any officer or employee of the organization; or

(D) authority to vote on matters as a member of the governing body of the organization.

(6) If expressly authorized by regulation, subsection (a) does not apply to:

(A) a police officer's exercise of the officer's police authority during approved outside employment; or

(B) a police officer or fire/rescue employee who is exercising the employee's official duties in an emergency affecting a business or property in which the employee or a relative of the employee has an economic interest.

**19A-12. Restrictions on other employment and business ownership.**

\* \* \*

(b) *Specific restrictions.* Unless the Commission grants a waiver under subsection 19A-8(b), a public employee must not:

(1) be employed by, or own more than one percent of, any business that:

(A) is regulated by the County agency with which the public employee is affiliated; or

(B) negotiates or contracts with the County agency with which the public employee is affiliated; or

(2) hold any employment relationship that could reasonably be expected to impair the impartiality and independence of judgment of the public employee.

(c) *Exceptions.*

(1) Subsections (a) and (b) do not apply to:

[(1)] (A) a public employee who is appointed to a regulatory or licensing body under a statutory provision that persons subject to the jurisdiction of the body may be represented in appointments to it;

[(2)] (B) a public employee whose government duties are ministerial, if the employment does not create a conflict of interest;

[(3)] (C) a member of a board, commission, or similar body in regard to employment held when the member was appointed if the employment was publicly disclosed before appointment to the appointing authority, and to the County Council when confirmation is required. The appointing authority must forward a record of the disclosure to the Commission, which must keep a record of the disclosure on file; or

107           ~~[(4)]~~ (D)    an elected public employee in regard to  
108                   employment held at the time of election, if the  
109                   employment is disclosed to the County Board of Elections  
110                   before the election. The Commission must file the  
111                   disclosure received from the County Director of Elections  
112                   with the financial disclosure record of the elected public  
113                   employee.

114           (2) If expressly authorized by regulation, subparagraph  
115                   (b)(1)(A) and paragraph (b)(2) do not prohibit a police  
116                   officer from working outside employment for an  
117                   organization solely because that organization is located in  
118                   the County or in the district where the officer is assigned.

119                   \*                   \*                   \*

120   **19A-13. Employment of former public employees.**

121                   \*                   \*                   \*

122           (d) A person serving as County Executive or Councilmember must not  
123                   engage in lobbying to influence a legislative action for which lobbying  
124                   registration would be required under this Chapter for one calendar year  
125                   after leaving office except to represent a municipal corporation, a county,  
126                   or a State government entity.

127   **19A-18. Financial disclosure statement; procedures.**

128                   \*                   \*                   \*

129           (f) The Commission must make available each statement filed under this  
130                   Article for examination and copying during normal office hours. The  
131                   Commission must redact a public employee's home addresses from a  
132                   statement that is made available for examination or copying. The

Commission may charge reasonable fees and adopt procedures to  
examine and copy statements.

\* \* \*

**19A-19. Content of financial disclosure statement.**

(a) Each financial disclosure statement filed under Section 19A-17(a) must  
disclose the following:

\* \* \*

(9) Income for lobbying activity. The statement must list the name and  
address of any entity that has hired the filer's spouse to lobby under  
this Chapter.

(10) The statement may also include any additional interest or  
information that the filer wishes to disclose.

\* \* \*

**19A-21. Who must register as a lobbyist; exceptions.**

\* \* \*

(d) [Except for the authorization required by Section 19A-22, an] An  
individual or organization is exempt from the reporting requirements of  
this Article if the individual or organization:

- (1) compensates one or more lobbyists;
- (2) reasonably believes that each lobbyist will timely register and  
report all expenditures required to be reported; and
- (3) engages in no other lobbying.

If a lobbyist fails to report timely any information required under this Article,  
the lobbyist's employer is immediately subject to the reporting requirements of  
this Article.

**19A-22. [Authorization to lobby] Certification of authority.**

[Every employer of a lobbyist must sign an authorization to act, which the lobbyist must file with the Commission at registration. If the employer is a corporation, an authorized officer or agent other than the lobbyist must sign the written authorization. The authorization must include:

- (a) the full legal name and business address of both the employer and the lobbyist;
- (b) the period of time during which the lobbyist is authorized to act, unless sooner terminated; and
- (c) each legislative proposal or subject upon which the lobbyist is authorized to act.]

(a) Certification. Each lobbyist required to register under this Article must certify under oath or affirmation that the lobbyist is authorized to lobby for the individual or organization who hired the lobbyist.

(b) Contents of certification. the written certification must include:

- (1) the full legal name and business address of the individual or organization;
- (2) for an individual, the full name and contact information for the individual;
- (3) for an organization, the name, contact information, and official title of the representative of the organization who authorized the hiring of the lobbyist;
- (4) the full legal name and business address of the regulated lobbyist;
- (5) the period during which the regulated lobbyist is authorized to act;  
and
- (6) the proposal or subject on which the regulated lobbyist represents the individual or organization.

#### **19A-23. How and when to register as a lobbyist.**

(a) Every person required to register with the Commission under Section 19A-21 must disclose the following information on a form provided by the Commission:

- (1) the lobbyist's name and permanent address;
- (2) the name and permanent address of any person who will lobby on behalf of the lobbyist;
- (3) the name, address, and nature of business of any person who compensates the lobbyist [, with the written authorization required under Section 19A-22]; and
- (4) the identification, by formal designation if known, of each matter on which the lobbyist expects to lobby or employs someone to lobby.

\* \* \*

*Approved:*

\_\_\_\_\_  
Hans D. Riemer, President, County Council

\_\_\_\_\_  
Date

*Approved:*

\_\_\_\_\_  
Isiah Leggett, County Executive

\_\_\_\_\_  
Date

*This is a correct copy of Council action.*

\_\_\_\_\_  
Megan Davey Limarzi, Esq., Clerk of the Council

\_\_\_\_\_  
Date



## LEGISLATIVE REQUEST REPORT

Bill 2-18

*Ethics – Conflicts of Interest – Financial Disclosure – Lobbying – Amendments*

**DESCRIPTION:** Bill 2-18 would:

- (1) limit the participation of a public employee in any matter affecting a party who the employee was hired to lobby for in the prior year;
- (2) prohibit a person serving as County Executive or Councilmember from certain lobbying for one year after leaving office;
- (3) require the Ethics Commission to redact the home address of a public employee from a financial disclosure statement made available for inspection or copying;
- (4) require a public employee to disclose income from certain lobbying on a financial disclosure statement;
- (5) repeal the requirement for a regulated lobbyist to submit an authorization to lobby from the individual or organization hiring the lobbyist; and
- (6) modify the financial disclosure requirements for officers and employees of the Arts and Humanities Council and a community media organization.

**PROBLEM:** The Public Integrity Act of 2017, enacted by the General Assembly last year requires the County to amend the County Ethics Law.

**GOALS AND OBJECTIVES:** The goal is to comply with the State Ethics Law.

**COORDINATION:** Ethics Commission, County Attorney's Office

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Robert H. Drummer, Senior Legislative Attorney

**APPLICATION WITHIN MUNICIPALITIES:** To be researched.

**PENALTIES:** A violation of Chapter 19A is a Class A violation.



COMMISSION MEMBERS:  
JANET E. McHUGH, *Chair*  
JAMES R. BENJAMIN, JR.  
KIM L. COBLE  
JACOB YOSEF MILIMAN  
CRAIG D. ROSWELL

## STATE ETHICS COMMISSION

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ANNAPOLIS, MARYLAND 21401  
410-260-7770

Toll Free 1-877-669-6085  
FAX: 410-260-7746

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KATHERINE P. THOMPSON  
*Assistant General Counsel*

October 3, 2017

Robert Cobb, Counsel  
Montgomery County Ethics Commission  
100 Maryland Ave., Room 204  
Rockville, MD 20850

Re: Local Government Ethics Update

Dear Mr. Cobb:

As you are aware, there were significant changes mandated to county and municipal ethics laws and county boards of education ethics regulations by legislation (SB315 – Chapter 277 of the Acts of 2010) enacted during the 2010 General Assembly session. The law became effective October 1, 2010. Counties and municipalities required to adopt a local ethics law must include conflict of interest and financial disclosure provisions for local elected officials that are at least equivalent to the State's provisions; financial disclosure provisions for candidates for local elected office that are at least equivalent to State provisions; conflict of interest and financial disclosure provisions for local employees and appointed officials that are similar to State provisions; and local lobbying provisions that are substantially similar to State provisions. The State Ethics Commission previously approved the Montgomery County's local Ethics Law as being in compliance with Subtitle 8 of the Maryland Public Ethics Law (Md. Code Ann., Gen. Prov., Title 5 (Supp. 2016)).

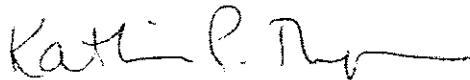
We are writing to notify Montgomery County that the requirements under the State Ethics Law are changing. House Bill 879, enacted during the 2017 Legislative session, made multiple modifications to the State Ethics Law, some of which will change the requirements for local government ethics laws. Those changes include additional disclosures for State elected officials that local governments must incorporate into their Ethics Ordinances for their elected officials. However, a number of changes relax certain of the financial disclosure requirements, particularly for debt and stock holding disclosures, and make home addresses confidential from public disclosure. We have included an attachment describing the changes that need to be included in the new drafts of Ethics Law, highlighting the additional provisions that must be included in a law to be compliant with State law, and the changes that relax some requirements and may be adopted if desired by the County. In addition, we have also included our new model laws with the changes

highlighted on our website. Most of the changes take effect October 1, 2017 and our regulations implementing these changes are in the approval process.

Commission staff is available to provide guidance and assistance to Montgomery County as you work through updating your law to incorporate the new changes. Please do not hesitate to contact us should you have any questions regarding the new local government ethics law requirements. As a reminder, any and all future changes to the ethics ordinance must be submitted to the Commission for review and approval in compliance with Subtitle 8 of the Maryland Public Ethics Law and COMAR 19A.04.

Finally, Section §5-807(b) of the Public Ethics Law requires each local jurisdiction to file the Local Government Ethics Law Annual Certification by October 1 of each year. Given the timing of these legislative changes, we do not anticipate 2017 certifications will include any of the changes discussed above. Our office has already received Montgomery County's certification for 2017. Please contact our office if you have any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kath P. Thompson", with a stylized flourish at the end.

Katherine P. Thompson  
Assistant General Counsel

Enclosures

Changes that must be adopted for local government compliance with the requirements of Subtitle 8 of the Public Ethics Law or COMAR 19A.04.:

1. 5-504(d)(2). Precludes Governor, Lieutenant Governor, AG, Comptroller, Treasurer or a Member of the General Assembly from lobbying (legislative matters) for one calendar year after leaving office. *Needs to be added to the conflict of interest section covering local elected officials.*
2. 5-606(a)(3). Effective January 1, 2019, Commission may not provide public access to the portion of a financial disclosure statement that includes an individual's home address as identified by the individual (i.e. the Commission must redact the information before making it publicly available). Applies to all statements, whether posted on the Internet or viewable only in the Office. *Home addresses should be redacted from public disclosure. Local employees and elected officials don't have to worry about the public being able to see their home address on their filings submitted after January 1, 2019.*

Changes that must be adopted for local government compliance with the requirements of Subtitle 8 of the Public Ethics Law or COMAR 19A.04. for those local governments with lobbying provisions:

1. 5-501(a-1). Adds new subsection prohibiting former lobbyists who become a public official or State employee (i.e. take job with the State) from participating in a case, contract or other specific matter for 1 calendar year after terminating their registrations if they previously assisted or represented another party in the matter (a "reverse" post-employment restriction for lobbyists). Does not apply to uncompensated or minimally compensated (less than 25% of grade 16) board/commission members or elected officials. *ONLY FOR JURISDICTIONS WITH LOBBYING PROVISIONS. Needs to be added the conflict of interest provisions to cover employees compensated over a certain amount.*
2. 5-607(i). Adds another category to Schedule H – for a statement filed on or after January 1, 2019, if the filer's spouse is a regulated lobbyist, must disclose the entity that has engaged the spouse to lobby. *ONLY FOR JURISDICTIONS WITH LOBBYING PROVISIONS. Requires spouses of lobbyists to disclose the entities that engage the lobbyist spouse on their annual disclosure filings.*

Changes that may be adopted if the local government chooses:

1. 5-101(t). Removes "exchange-traded funds" from the definition of "interest". An ETF is a diversified collection of assets (like a mutual fund) that trades on an exchange (like a stock). *Now, as is the case with mutual funds, financial disclosure filers will no longer have to disclose interests they hold in ETFs.*
2. 5-506. Adds three specific circumstances that constitute violation of the prestige of office provision (influencing the award of a State or local contract to a specific person; initiating a solicitation for a person to retain the compensated services of a particular lobbyist or firm; using public resources or title to solicit a political contribution regulated in accordance with the Election Law Article). In the last situation, employees and public officials may not use title or public resources, State officials may not use public

resources. *The State Ethics Commission has already interpreted these kinds of actions to be in violation of the prestige of office provision. Local governments are able to include these specific circumstances in their law if they would like or any other for clarifying purposes.*

3. 5-607(g). Changes the Schedule F disclosure (indebtedness to entities doing business with the State) to indebtedness to entities doing business with or regulated by the individual's governmental unit. *Instead of disclosing all indebtedness to entities doing business with the local government, only debts with entities doing business with the specific governmental unit must be disclosed by filers.*
4. 5-606(a)(2). Effective January 1, 2019, Ethics Commission must provide Internet access, through an online registration program, to financial disclosure statements submitted by State officials, candidates for office as State officials, and Secretaries of a principal department of the Executive Branch. *Local governments can now decide to put the local disclosure forms online for public viewing.*
5. 5-704. Codifies disclosure requirements for lobbyists who serve on State boards and commissions. Also codifies a requirement for such a lobbyist who is disqualified from participating in a specific matter to file a statement of recusal with the board or commission. *ONLY FOR JURISDICTIONS WITH LOBBYING PROVISIONS. Requires lobbyists who serve on local boards to submit disclosure forms that mirror the forms for local elected officials.*



## MONTGOMERY COUNTY ETHICS COMMISSION

### Memorandum

November 17, 2017

TO: Roger Berliner, President, Montgomery County Council

FROM: Montgomery County Ethics Commission

Robert Cobb, Staff Director, Chief Counsel

A handwritten signature in black ink, appearing to read "Robert Cobb".

CC: Isiah Leggett, County Executive

SUBJECT: Minor Legislative Changes Concerning Ethics

The Montgomery County Ethics Commission recommends the adoption of minor changes to County law. These changes are being recommended as result of requirements of Maryland law as interpreted by the State Ethics Commission (see attachment); in addition, the Ethics Commission is seeking to address three minor issues in County law.

To address requirements of State ethics law, the Commission recommends the adoption of a conflict of interest prohibition on participating in matters affecting a party for whom a public employee was, in the past year, required to register as a lobbyist. This provision is intended to prevent lobbyists entering County service from taking action that affects the firm the individual was lobbying for, for at least for one year.

Another provision is intended to meet State requirements to prevent elected officials from lobbying the County for one year after leaving County service.

The State Ethics Commission is requiring that local jurisdiction's ethics laws protect from disclosure financial disclosure statement information about public filers' home addresses. The proposal addresses this requirement.

And, the proposal addresses a State requirement to disclose information about entities that have engaged a spouse of a public filer to lobby the County in a public filer's financial disclosure statement.

In addition to the provisions being required by the State Ethics Commission, the Montgomery County Ethics Commission recommends some additional provisions.

The Commission recommends an amendment to Section 19A-21 to 19A-23 of the Public Ethics Law concerning lobbying registration and recommends changes to provisions of County law concerning financial disclosure for the Arts and Humanities Council and Community Media organizations.

Current County law requires persons lobbying on behalf of a person or entity to obtain a written authorization to do so from the person or entity (or its authorized agent) on whose behalf the lobbyist will be appearing. This requirement tracked a State ethics law requirement; but the State ethics law dropped this requirement as unnecessary. The process of obtaining these signatures creates what the Ethics Commission considers to be an unnecessary step, complicating and delaying registration compliance. The suggested amendment would conform the County's registration provision to the State law provision.

The proposed amendment suggests changes to 5A-4 and to 8A-32 of the County Code which would delete references to disclosures being made pursuant to Chapter 19A. The disclosures contemplated by these provisions do not correlate to 19A as there is no provision in 19A for confidential financial disclosure or disclosures that are limited to information about related activity and interests. The persons covered by the existing provisions of law are not public employees as defined by the County's ethics law, and if confidential and limited financial disclosure is what is deemed appropriate, it should be made to the organizations themselves and not made part of the financial disclosure program for County employees, which is established in accordance with County and State ethics law.

If there are questions about these recommendations, please contact Robert Cobb at [Robert.cobb@montgomerycountymd.gov](mailto:Robert.cobb@montgomerycountymd.gov) or at 240 777 6674.

Sec. 1. Sections 19A-11, 19A-13, 19A-18, 19A-19, 19A-21, 19A-22, and 19A-23 are amended as follows:

Sec. 19A-11. Participation of public employees.

- (a) *Prohibitions.* Unless permitted by a waiver, a public employee must not participate in:

\*\*\*\*\*

(3) any case, contract, or other specific matter affecting a party for whom, in the prior year, the public employee was required to register to engage in lobbying activity under this Chapter.

Sec. 19A-13. Employment of former public employees.

\*\*\*\*\*

(d) A person serving as County Executive or member of the County Council may not engage in lobbying for which lobbying registration would be required under this Chapter for one year after leaving such office.

Sec. 19A-18. Financial disclosure statement; procedures.

\*\*\*\*\*

(f) The Commission must make available each statement filed under this Article for examination and copying during normal office hours. The Commission must redact public employees' home addresses from statements that are made available for examination and copying.

Sec. 19A-19. Content of financial disclosure statement.

- (a) Each financial disclosure statement filed under Section 19A-17(a) must disclose the following:

\*\*\*\*\*

(9) *Income from Lobbying Activity.* The statement must list the name and address of any entity that has engaged the filer's spouse to engage in lobbying under this Chapter.

(910) The statement may also include any additional interest or information that the filer wishes to disclose.



Sec. 19A-21. Who must register as a lobbyist; exceptions.

\*\*\*\*\*

(d) [Except for the authorization required by Section 19A-22, a] An individual or organization is exempt from the reporting requirements of this Article if the individual or organization:

- (1) compensates one or more lobbyists;
- (2) reasonably believes that each lobbyist will timely register and report all expenditures required to be reported; and
- (3) engages in no other lobbying.

If a lobbyist fails to report timely any information required under this Article, the lobbyist's employer is immediately subject to the reporting requirements of this Article.

Sec. 19A-22. Authorization to lobby.

[Every employer of a lobbyist must sign an authorization to act, which the lobbyist must file with the Commission at registration. If the employer is a corporation, an authorized officer or agent other than the lobbyist must sign the written authorization. The authorization must include:

- (a) the full legal name and business address of both the employer and the lobbyist;
- (b) the period of time during which the lobbyist is authorized to act, unless sooner terminated; and
- (c) each legislative proposal or subject upon which the lobbyist is authorized to act.]

(a) Certification. — A regulated lobbyist engaged by an individual or organization for the purpose of lobbying shall certify under oath or affirmation that the regulated lobbyist is authorized to engage in lobbying for the individual or organization.

(b) Certification — Contents. — The certification shall include:

- (1) the full legal name and business address of the individual or organization;
- (2) if for an individual, the name and contact information of the individual who authorized the lobbying for the individual, or, if for an organization, the name, contact information, and official title of the representative of the organization who authorized the lobbying for the organization;
- (3) the full legal name and business address of the regulated lobbyist;
- (4) the period during which the regulated lobbyist is authorized to act; and
- (5) the proposal or subject on which the regulated lobbyist represents the individual or organization.

Sec. 19A-23. How and when to register as a lobbyist.

(a) Every person required to register with the Commission under Section 19A-21 must disclose the following information on a form provided by the Commission:

- (1) the lobbyist's name and permanent address;

(2) the name and permanent address of any person who will lobby on behalf of the lobbyist;

(3) the name, address, and nature of business of any person who compensates the lobbyist[, with the written authorization required under Section 19A-22]; and

(4) the identification, by formal designation if known, of each matter on which the lobbyist expects to lobby or employs someone to lobby.

\*\*\*\*\*

Sec. 2. Section 5A-4 is amended as follows:

Sec. 5A-4. Council Membership and Organization.

\*\*\*\*\*

(d) The Arts and Humanities Council must require each officer and director, and the executive director to disclose to the Arts and Humanities Council [file a confidential financial disclosure statement under Chapter 19A covering] all activities and interests related to arts and humanities organizations, programs, or funding. Each officer and director, and the executive director of the Arts and Humanities Council is a public employee under Sections 19A-11 and 19A-14 for any matter in which the person participates for the Council. The Council must adopt and apply policies and procedures to ensure that its actions are fair, unbiased, and non-partisan.

\*\*\*\*\*

Sec. 3. Section 8A-32 is amended as follows:

Sec. 8A-32. Community media organizations.

(e) Any officer, director, or executive director of a community media organization must disclose to the community media organization [file a confidential financial disclosure statement under Chapter 19A with respect to] any communications-related activity or interest.

\*\*\*\*\*



ROCKVILLE, MARYLAND

MEMORANDUM

February 26, 2018

TO: Hans Riemer, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget  
Alexandre A. Espinosa, Director, Department of Finance

SUBJECT: FEIS for Bill 2-18 - Ethics - Conflicts of Interest - Financial Disclosure -  
Lobbying - Amendments

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer  
Lisa Austin, Offices of the County Executive  
Joy Nurmi, Special Assistant to the County Executive  
Patrick Lacefield, Director, Public Information Office  
David Platt, Department of Finance  
Dennis Hetman, Department of Finance  
Phil Weeda, Office of Management and Budget  
Felicia Zhang, Office of Management and Budget

**Fiscal Impact Statement**  
**Council Bill 2-18, Ethics – Conflict of Interest – Financial Disclosure – Lobbying**  
**Amendments**

1. Legislative Summary:

The proposed legislation would do the following:

- limit the participation of a public employee in any matter affecting a party who the employee was hired to lobby for in the prior year;
- prohibit a person serving as County Executive or Councilmember from certain lobbying for one year after leaving office;
- require the Ethic Commission to redact the home address of an public employee from a financial disclosure statement made available for inspection or copying;
- require a public employee to disclose income from certain lobbying on a financial disclosure statement;
- repeal the requirement for a regulated lobbyist to submit an authorization to lobby from the individual or organization hiring the lobbyist; and
- modify the financial disclosure requirements for officers and employees of the Arts and Humanities Council and a community media organization.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The Ethics Commission reports the proposed legislation will not impact the agency's budget or workload.

3. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

4. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable.

6. An estimate of the staff time needed to implement the bill.

Not applicable.

Page 2

7. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable.

8. An estimate of costs when an additional appropriation is needed.

Not applicable.

9. A description of any variable that could affect revenue and cost estimates.

Not applicable.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

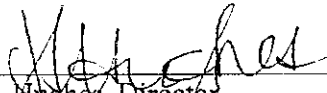
11. If a bill is likely to have no fiscal impact, why that is the case.

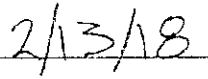
See answer #2.

12. Other fiscal impacts or comments.

None.

13. Robert Cobb of the Ethics Commission and Philip Weeda of the Office of Management and Budget contributed and concurred with this analysis.

  
\_\_\_\_\_  
Jennifer A. Hughes, Director  
Office of Management and Budget

  
\_\_\_\_\_  
Date

**Economic Impact Statement**  
**Bill 2-18, Ethics – Conflicts of Interest – Financial Disclosure – Lobbying -**  
**Amendments**

**Background:**

Bill 2-18 would:

- (1) limit the participation of a public employee in any matter affecting a party who the employee was hired to lobby for in the prior year;
- (2) prohibit a person serving as County Executive or Councilmember from certain lobbying for one year after leaving office;
- (3) require the Ethics Commission to redact the home address of a public employee from a financial disclosure statement made available for inspection or copying;
- (4) require a public employee to disclose income from certain lobbying on a financial disclosure statement;
- (5) repeal the requirement for a regulated lobbyist to submit an authorization to lobby from the individual or organization hiring the lobbyist; and
- (6) modify the financial disclosure requirements for officers and employees of the Arts and Humanities Council and a community media organization.

The Public Integrity Act of 2017, enacted by the General Assembly last year requires the County to amend the County Ethics Law. The goal is to comply with the State Ethics Law.

**1. The sources of information, assumptions, and methodologies used.**

There were no sources of information, assumptions, or needed methodologies in the formulation of this economic impact statement.

**2. A description of any variable that could affect the economic impact estimates.**

As noted in the fiscal impact statement for the bill, the Ethics Commission reports the proposed legislation will not impact the agency's budget or workload. Counties and municipalities required to adopt a local ethics law must include conflict of interest and financial disclosure provisions for local elected officials that are at least equivalent to the State's provisions; financial disclosure provisions for candidates for local elected office that are at least equivalent to State provisions; conflict of interest and financial disclosure provisions for local employees and appointed officials that are similar to State provisions; and local lobbying provisions that are substantially similar to State provisions. There are no variables included in these provisions that could affect the economic impact estimates for this bill.

**3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.**

The bill will have no impact on employment, spending, savings, investment, incomes, and property values in the County.

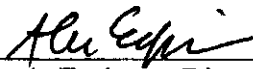
**Economic Impact Statement**  
**Bill 2-18, Ethics – Conflicts of Interest – Financial Disclosure – Lobbying -**  
**Amendments**

**4. If a Bill is likely to have no economic impact, why is that the case?**

See number 2.

**5. The following contributed to or concurred with this analysis:**

David Platt, Dennis Hetman, and Robert Hagedoorn, Finance.

  
\_\_\_\_\_  
Alexandre A. Espinosa, Director  
Department of Finance

2/23/2018  
Date