Explanation of Recommended Financial Disclosure Changes. Orange Highlight Indicates a Proposed Change.

Category of Disclosure	Current Law (filer must disclose if . . .)	Recommended	Rationale for Recommendation
Income Source	$5,000 or more	$5,000 or more	No change
If self-employed, the names of Clients who do Business with the State	N/A	No minimum threshold (must disclose all)	Income disclosure is important for public trust – particularly when the public servant is indirectly receiving private income from the state. Where the public servant's private clients also have business dealings with the state, there is an increased risk that the public will be concerned about the client using the relationship to gain preferential treatment. Disclosure helps ensure public confidence that an official's private clients are not using the official to get contracts or other benefits from the state. It also helps public servants identify business relationships that may give rise to conflicts of interest. Many states (e.g., MA) require disclosure of the names of all clients above a certain threshold, irrespective of whether they have state business. The Commission believes that such an expansive rule would be less effective in Vermont, but recognizes that trust in government is served by disclosing private clients if they also have state business. Many northeastern states (e.g., RI, CT, NY) require disclosure of clients of the filer, or the filer's family members, where an associated business also has dealings with the state.
If self-employed, the names of Clients from whom $10,000 or more is received by the public servant or spouse/domestic partner in the past 12 months	N/A	$10,000	Income disclosure ensures public trust that a public servant is not beholden to any private interest. The more money that a government official privately receives from a single source, the more concern the public may have regarding the potential for the client to receive preferential treatment. Disclosure helps ensure public confidence that a public servant's private clients are not using the official to get contracts or other benefits from the state. It also helps public servants identify business relationships that may give rise to conflicts of interest. Many states require disclosure of sources of all private income over a certain threshold (in VT this is $5,000). This new rule would require disclosure of individual private clients, but only if the filer is self-employed, and any single private client pays the filer $10,000 or more in a single year. The need for transparency here is not as high as with clients who also do business with the state. However, there is still public concern where a private client may be positioning themselves to ask an official for "favors." The Commission recommends a $10,000 threshold for self-employed public servants to disclose private clients. This same high threshold is used in other states (e.g., NY, TX). Other states have a lower threshold (i.e., the filer would have to disclose more client identities).
Investments	N/A	$10,000 or more in any particular stock	Many state public servants maintain financial investments, and with most low-level investments there is little reason for public concern. However, when a single investment rises to a significant level, public concern rises as well. There is a perception that – when more money is at stake – the official might, consciously or unconsciously, think about private financial interests when serving the public. The goal is to set a standard that identifies large, focused holdings of an official, but not minimal investments or broad-based investments (such as mutual funds). The disclosure threshold should be at a level that could capture something that could be perceived as a motivating interest, while also high enough that garden-variety investments need not be disclosed. Roughly 2/3 of the states require disclosure of investments above a certain threshold. The thresholds in these states ranges from $0 to $10,000. Because this proposal would be a change to current VT law, the Commission recommends that a high

			threshold of $10,000 be adopted initially by the legislature, and monitored for potential future adjustment. No state has a higher reporting threshold than the recommended $10,000.
Boards & Commissions regulated by law, or receive money from state	Any board, commission, or other entity that is regulated by law or receives funding from the State and the filer's position on that entity.	Any board, commission, or other entity that is regulated by law or that, receives funding from the State, or makes decisions about the allocation or disbursement of State funds on which the filer served for any part of the previous 12 months, and the filer's position on that entity	Most states require government officials to disclose memberships on boards and commissions that are regulated by, receive money from the state, or make decisions about the disbursement or allocation of state funds. Disclosure of these positions helps allay public concerns that the board or commission may be getting preferential treatment from the state due to the official's membership on the board or commission. The addition of language covering entities that disburse or allocate State funds closes a loophole to ensure this category of entities is covered under the law.
Ownership Interest in Businesses	10% or more ownership	10% or more ownership	No change
Ownership Interest in a Business that does Business with the State	10% or more ownership	Any ownership, or controlling interest held by the public servant or spouse/domestic partner	Income disclosure is important for public trust – particularly when the public servant is indirectly receiving private income from the state. Where a public servant's associated business (i.e., a business that the public servant owns or controls) receives money from the state, there is risk that the public will believe the two are related. And, because the benefit to the official is indirect and may be opaque, public concern may rise because of the uncertainty. Currently, VT does not draw a distinction between disclosing ownership interests in businesses that do business with the state versus those that do not. In VT, both are subject to the 10% ownership rule. However, many states require filers to disclose if they have any ownership interest at all in a business that does business with the state, regardless of the amount. Other states require filers to disclose ALL associated business at a lower threshold than VT's 10% ownership threshold. Some states (e.g., CT) prohibit associated businesses from having contracts with the state altogether, if over a certain threshold. The Commission recommends that VT adopt the less onerous rule: if an associated business gets money from the state, the official's ownership interest in the business should be disclosed, irrespective of the amount of ownership
Associated Business Loans	N/A	10% or more ownership AND loan is not commercially reasonable	Public concern rises where a person or entity offers to give a public servant a loan on more beneficial terms than what is available to the public. There is an appearance that the beneficial terms may be offered because of the state position. Under current law, if such a beneficial loan is given directly to a public servant, it is a prohibited gift under the Code of Ethics (see 3 V.S.A. § 1203g (13)). However, concern remains that a public servant might receive this benefit indirectly, through an associate

			business, where the benefit is less transparent (i.e., the loan goes to the associated business, which is owned or controlled by the public servant). This new rule would require associated businesses to disclose unconventional loans, but only where the public servant owns a significant interest in the associated business. Although state officials' businesses remain free to borrow at any interest rate, commercially unreasonable loans should be disclosed to ensure transparency where the public servant's ownership interest in the business is significant (i.e., 10%). Many states have experienced cases where transparency might have averted problems in this area (see, e.g., RI, MD, OK). In addition, such "non-traditional" borrowing continues to be a concern at the federal level where, again, transparency may have averted questionable loans (see, e.g., Senators and Executive Branch Department Heads; Judges).
Leases or Contracts with the State	No minimum threshold (must disclose all)	No minimum threshold (must disclose all)	No change
Spouse/Domestic Partner Name	Required only when spouse or domestic partner is a lobbyist	Full name of spouse/domestic partner	Although the law already requires disclosure of spousal/domestic partner information, no provision explicitly states that the full name should be disclosed on the form. The closing of this loophole makes the disclosure of spousal/domestic partner assets more transparent, without significant invasion of privacy. Currently, candidates for State office must submit the most recent federal tax form. This form, when filed jointly, includes the disclosure of a spouse's full name. In nearly all states that require spousal disclosure, the name of the spouse/domestic partner is also explicitly disclosed on the financial disclosure form.
Tax information for Candidates for State Office	Candidates who are required to file their tax return may redact Social Security numbers, signatures, and the names of dependents	Candidates who are required to file their tax return may now also redact home address and identity of tax preparer on any 1040 form	This proposal allows candidates for State office to redact more information from the tax form that is filed with the state. Most states require disclosure of all real property. Some of these states exempt home residences from disclosure. Nevertheless, the public interest in knowing a filer's home address and identity of tax preparer is not as significant as other assets.