



STATE OF CALIFORNIA  
FAIR POLITICAL PRACTICES COMMISSION  
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**To:** Chair Remke and Commissioners Casher, Eskovitz, Wasserman and Wynne  
**From:** Sukhi K. Brar, Senior Commission Counsel and Legislative Coordinator  
**Subject:** Legislative Update  
**Date:** June 8, 2015

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The Legislature began the 2015-2016 Legislative session on December 1, 2014. This report includes a summary of the bills currently pending before the Legislature that would impact the Political Reform Act (the “Act”).

### **Commission Supported Bills**

#### **AB 594 (Gordon)**

Introduced: February 24, 2015

#### **Existing Law**

The Act provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures and imposing other reporting and recordkeeping requirements on campaign committees.

Currently, committees generally file two semi-annual statements every year covering all campaign activity for a period of six months. In election years, committees also file two pre-election reports as it gets closer to the election that provide an overall picture of that activity for each committee that is involved in the upcoming election. In addition to these reports, committees that make or receive contributions of \$1,000 or more or make independent expenditures of \$1,000 or more in the last 90 days before the election must file an additional report within 24 hours of such activity. Before 2013, this 24-hour reporting period covered only the last 16 days before an election but was expanded to the last 90 days in 2013.

Supplemental preelection reports are also required to be filed at specific times when a candidate or committee makes contributions of \$10,000 or more in connection with an election. In reality, such activity has already been disclosed on the 24-hour reports making the filing of these supplemental reelection reports unnecessary and over-burdensome. Also, contribution limits were imposed after this filing requirement and due to those limits, this report is rarely triggered. Additionally, supplemental independent expenditure reports also are required to be filed when a candidate or committee has made independent expenditures of \$1,000 or more in a calendar year. Again, the majority of this activity will have already been captured on a 24-hour report, making this report unnecessary.

Proposed Law

The bill proposes the following changes to the Act:

1. Eliminates duplicative reports. The current filing schedules are difficult to understand. This bill eliminates reports that are unnecessary and duplicative in order to simplify the filing burdens imposed upon campaign committees, without sacrificing disclosure. Specifically, the bill eliminates the requirement to file supplemental preelection reports and supplemental independent expenditure reports. As explained above, the need for supplemental preelection statements and supplemental independent expenditure reports have been eliminated because with the implementation of contribution limits and the extension of the 24-hour reporting period from 16 days to 90 days a few years ago these statements have become almost entirely duplicative, burdensome and unnecessary.
2. Clarifies that the 90-day 24-hour reporting period includes the election date itself, in addition to the 90 days before the election, making those provisions consistent throughout the Act.
3. Clarifies and simplifies requirements for who has to file preelection statements. Currently, the Act's preelection reporting requirements are very complicated and difficult to understand. This bill clearly states which candidates and committees must file these reports before the election, while still maintaining relevant and timely disclosure. The new provisions create a filing timeline for these reports that is uniform in both odd and even years.

A previous version of this bill increased the committee qualification thresholds, the 24-hour reporting thresholds and some of the preelection reporting thresholds in order to bring such figures closer to the amounts they should be today when adjusted for inflation and to reduce burdens on committees that have very low levels of activity. Often times those who wish to run for office in smaller races and who do not plan to raise or spend large amounts of money are discouraged from participating when they realize all of the obligations that are imposed upon committees even at very low levels of activity. Raising the thresholds for committee qualification would promote an increase in participation by such individuals. Since the increased thresholds were removed from the bill, some interested groups have expressed support for the deleted provisions including the Special Districts Association and California Forward.

At its May 2015 meeting, the Commission voted to support this bill. The Commission also voted to support (4-1) the previous version of the bill.

Status: In Senate Elections Committee

Cost Estimate: Minor and absorbable.

Commission Position: Support

**Active Bills Pending in the Legislature Amending the Political Reform Act**

**SB 21 (Hill)**

Introduced: December 1, 2014

Existing Law

The Act prohibits public officials from receiving gifts in excess of \$460 in value from a single source in a calendar year, with exceptions. One exception to this gift limit is for payments made to public officials for travel that are reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy and that are paid for by a 501(c)(3) nonprofit organization.

Public officials are required to report travel payments from nonprofits on their Statements of Economic Interests (Form 700). If a person uses a nonprofit as an intermediary, as that term is defined in Regulation 18945, to make payments to public officials for travel, the donor to the nonprofit that makes the travel payment is considered to be the true source of the travel gift. In these cases, the public official is required to report the *donor* to the nonprofit and the *nonprofit* on his or her Form 700. The gift would then also be subject to the Act's \$460 gift limit.

Proposed Law

This bill requires a nonprofit organization that makes travel payments of \$10,000 or more a year for elected state officers or local elected officeholders to disclose to the Commission the names of donors responsible for funding the payments if the donation was \$1,000 or more, and the donor knew or had reason to know the donation would be used to pay for travel, which includes conditions when the donor, agent or employee, or representative of the donor accompanies the official on a trip organized by the nonprofit. This disclosure requirement is in addition to the disclosure under current law provided by the official on his or her Form 700. The bill also requires a person who receives a gift of a travel payment from any source to report the travel destination on his or her Statement of Economic Interests.

Status: In Assembly (Pending assignment to policy committee.)

Cost Estimate: \$178,778

**AB 10 (Gatto)**

Introduced: December 1, 2014

Existing Law

The Act prohibits a public official at any level of state or local government from making, participating in making, or in any way attempting to use his or her official position to influence a governmental decision in which the public official knows or has reason to know that he or she has a financial interest. A public official has a financial interest in a governmental decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on a business entity in which the public official has a direct or indirect investment worth \$2,000 or more, real property in which the public official has a direct or indirect interest worth \$2,000 or more, and sources of income aggregating \$500 or more in value within 12 months prior to the time when the decision is made. The Act requires

certain public officials to file a Statement of Economic Interests disclosing investments, real property interests, and income within specified periods of assuming or leaving office, and annually while holding the office. The Act requires the disclosures to include information indicating, within a specified value range, the fair market value of investments or interests in real property and the aggregate value of income received from a source. The Act also requires elected officers to report behested payments of \$5,000 or more within 30 days.

#### Proposed Law

This bill increases the thresholds at which a public official has a disqualifying financial interest in sources of income from \$500 to \$1,000, investments in business entities from \$2,000 to \$5,000, and in interests in real property from \$2,000 to \$10,000. The bill also makes conforming adjustments to the thresholds at which income, investments, and interests in real property must be disclosed on a public official's Statement of Economic Interests. The bill revises the dollar amounts associated with the value ranges for reporting the value of economic interests. Additionally, this bill requires certain public officials to disclose information on the official's Statement of Economic Interests relating to governmental decisions for which the public official had a disqualifying financial interest.

The bill also expands the reporting of behested payments. Current law requires elected officials to file behested payment reports while in office. The bill would also require behested payment reports to be filed by not-yet-elected candidates, and would require elected officials who are out of office to file behested payment reports for 12 months after they leave office. The bill requires such reports to be filed with the filing officer that receives the candidate's or elected officer's campaign statements or in the case of an elected officer, his or her agency.

Status: In Senate Rules (Pending assignment to policy committee.)

Cost Estimate: \$260,166

#### **AB 700 (Gomez)**

Introduced: February 25, 2015

#### Existing Law

The Political Reform Act imposes a disclosure requirement with respect to advertisements supporting or opposing a ballot measure when a committee pays an individual \$5,000 or more to appear in the advertisement or when the advertisement states or suggests an individual appearing in the advertisement is of a certain occupation as specified. The disclosure statement on such ads must be shown continuously on printed advertisements and televised advertisements. It must be read in a clearly audible format if the advertisement is a radio or telephone message.

#### Proposed Law

This bill extends the current spokesperson disclosure statement requirements to television or video advertisements, meaning they would apply to internet or other electronic forms of communication.

Status: In Assembly Appropriations Committee

**AB 1083 (Eggman)**

Introduced February 27, 2015

Existing Law

Existing law allows the Commission to contract with the County of San Bernardino to provide advice and enforcement of its local campaign rules.

Proposed Law

This bill would allow the Commission to contract with the City of Stockton to provide advice and enforcement of local campaign rules.

Status: In Senate Elections Committee

Cost Estimate: Minor and absorbable.

**AB 1200 (Gordon)**

Introduced: February 27, 2015

Existing Law

Existing provisions of the Act regulate the activities of lobbyists, lobbying firms, and lobbyist employers in connection with attempts to influence legislative and administrative action and require reporting of such activity. "Administrative action" is defined in the Act to include the proposal, drafting, development, consideration, amendment, enactment or defeat by any state agency of any rule, regulation, or other action in any ratemaking proceeding or any quasi legislative proceeding.

Proposed Law

This bill defines "administrative action" to include "governmental procurement." The bill makes the Act's lobbyist reporting requirements applicable to actions that attempt to influence governmental procurement activities. Government procurement under the bill would include the following:

- (1) Preparing the terms, specifications, bid documents, request for proposals, or evaluating criteria for a procurement contract.
- (2) Soliciting for a procurement contract.
- (3) Evaluating a procurement contract.
- (4) Awarding, approving, denying, or disapproving a procurement contract.

The bill would exempt bona fide sales persons from its provisions, would apply only to state contracts, and would apply to contracts valued at \$250,000 or more.

Staff believes there are concerns with implementation and interpretation of the provisions in this bill as currently drafted. Staff has contacted the author's office about such concerns and is continuing to monitor this bill.

Status: In Senate (Pending assignment to policy committee.)

Cost Estimate: \$1.2 M

**Two-Year Bills Pending in the Legislature Amending the Political Reform Act**

**SB 283 (Nielsen)**

Introduced: February 19, 2015

Existing Law

The Act requires the Attorney General to prepare a ballot label, title and summary for each statewide ballot measure and to include this summary in the ballot pamphlet.

Proposed Law

This bill would require the Legislative Analyst, instead of the Attorney General prepare the ballot label, title and summary for all measures submitted to voters.

Status: In Senate Elections Committee (2-yr. bill)

**AB 834 (Salas)**

Introduced: February 26, 2015

Existing Law

The Act prohibits an incumbent from sending a newsletter or other mass mailing at public expense.

Proposed Law

This bill would define a “public advertisement” as an advertisement that is paid for from the funds of a state or local public entity. This bill would prohibit a person or entity from disseminating, broadcasting, or otherwise publishing a public advertisement, within 90 days of an election if the advertisement features, a candidate who will appear on the ballot at that election.

Status: In Assembly Elections Committee (2-yr. bill)

**AB 910 (Harper)**

Introduced: February 26, 2015

Existing Law

Existing law allows the Commission to contract with the County of San Bernardino to provide advice and enforcement of its local campaign rules.

Proposed Law

This bill would allow the Commission to contract with any city or county to provide advice and enforcement of local campaign rules.

Status: In Assembly Elections Committee (2-yr. bill)

**AB 1494 (Levine)**

Introduced: February 27, 2015

Existing Law

The Act requires a committee that makes an independent expenditure of \$1,000 or more during the 90-day election cycle in connection with a candidate for elective state office or a state ballot measure to disclose that expenditure by filing a report online or electronically with the Secretary of State.

Proposed Law

This bill requires a committee subject to the Act's independent expenditure disclosure requirements to pay a fee dependent on the amount of independent expenditures the committee plans to make in a two-year period. The bill requires the Secretary of State to establish a fund with fee revenues and allocate those funds to the Fair Political Practices Commission and local elections offices for the purpose of increasing transparency in political campaigns and voter registration and turnout.

Status: In Assembly Elections Committee (2 yr. bill)

**Government Code Section 1090 Bills Pending in the Legislature**

**SB 330 (Mendoza)**

Introduced: February 23, 2015

Existing Law

Existing law prohibits Members of the Legislature, and state, county, district, judicial district, and city officers or employees from being financially interested in a contract, as specified, made by them in their official capacity or by any board or body of which they are members, subject to specified exceptions.

Proposed Law

This bill would, on and after January 1, 2017, expand these prohibitions to deem that a public officer who is an elected member of any state or local body, board, or commission has a prohibited financial interest in a contract pursuant to these provisions, if that public officer's spouse, child, parent, sibling, or the spouse of the child, parent, or sibling has a financial interest in any contract made by that public officer in his or her official capacity, or by any board, body, or commission of which that public officer is a member.

Status: In Assembly (Pending assignment to policy committee.)

Cost Estimate: \$210, 934

**SB 704 (Bates)**

Introduced on February 27, 2015

Existing Law

Existing law prohibits Members of the Legislature, state, county, district, judicial district, and city officers or employees from being financially interested in any contract made by them in their official capacity, or by board or body of which they are members. Existing law identifies certain remote interests that are not subject to this prohibition and other situations in which an official is not deemed to be financially interested in a contract.

Proposed Law

This bill would establish an additional situation in which an official is not financially interested in a contract as applied to an owner or partner of a firm serving on an advisory board or commission to the contracting agency if the owner or partner recuses himself or herself from all participation in reviewing a project that results from a contract between the firm and the contracting agency.

Status: In Assembly (Pending assignment to policy committee.)

Cost Estimate: Minor and absorbable.

AMENDED IN ASSEMBLY APRIL 7, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 594**

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**Introduced by Assembly Member Gordon**

February 24, 2015

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An act to amend Sections ~~82013~~, 82036, 82036.5, 84101, 84103, 84200.6, and 84218 of, to repeal Sections 84200.7, 84202.5, and 84203.5 of, and to repeal and add Section 84200.5 of, the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

AB 594, as amended, Gordon. Political Reform Act of 1974: campaign statements.

Existing law, the Political Reform Act of 1974, provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures and imposing other reporting and recordkeeping requirements on campaign committees. The act requires elected officers, candidates, and committees to file various reports, including semiannual reports, preelection statements, and supplemental preelection statements.

This bill would recast the requirements for filing preelection statements and would repeal other reporting requirements, including supplemental preelection statements and supplemental independent expenditure reports.

The act defines “committee” as a person or combination of persons who receives contributions or makes independent expenditures of \$1,000 or more in a calendar year or who makes contributions of \$10,000 or more in a calendar year to or at the behest of candidates. The act defines “late contributions” and “late independent expenditures” for purposes

of the act to include certain contributions and independent expenditures, respectively, that are made within 90 days before the date of the election.

~~This bill would revise the definition of “committee” by increasing the qualifying monetary thresholds to \$2,000 for contributions received or independent expenditures made by a person or combination of persons or \$20,000 for contributions made to or at the behest of candidates by a person or combination of persons.~~

This bill would revise the definitions of “late contributions” and “late independent expenditures” to increase the reporting threshold to \$2,000 and to specify that those terms also include contributions and independent expenditures that are made on the date of the election.

The bill would also make conforming changes.

A violation of the act’s provisions is punishable as a misdemeanor. By expanding the scope of a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a 2/3 vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. ~~Section 82013 of the Government Code is~~
- 2 ~~amended to read:~~
- 3 82013. “Committee” means any person or combination of
- 4 persons who directly or indirectly does any of the following:
- 5 (a) ~~Receives contributions totaling two thousand dollars (\$2,000)~~
- 6 ~~or more in a calendar year.~~
- 7 (b) ~~Makes independent expenditures totaling two thousand~~
- 8 ~~dollars (\$2,000) or more in a calendar year; or~~

1 ~~(e) Makes contributions totaling twenty thousand dollars~~  
2 ~~(\$20,000) or more in a calendar year to or at the behest of~~  
3 ~~candidates or committees.~~

4 A person or combination of persons that becomes a committee  
5 shall retain its status as a committee until such time as that status  
6 is terminated pursuant to Section 84214.

7 ~~SEC. 2.~~

8 *SECTION 1.* Section 82036 of the Government Code is  
9 amended to read:

10 82036. “Late contribution” means any of the following:

11 (a) A contribution, including a loan, that totals in the aggregate  
12 ~~two one thousand dollars (\$2,000)~~ *(\$1,000)* or more and is made  
13 to or received by a candidate, a controlled committee, or a  
14 committee formed or existing primarily to support or oppose a  
15 candidate or measure ~~on the date of the election, or during the~~  
16 ~~90-day period preceding the date of the election, or on the date of~~  
17 ~~the election,~~ at which the candidate or measure is to be voted on.  
18 For purposes of the Board of Administration of the Public  
19 Employees’ Retirement System and the Teachers’ Retirement  
20 Board, “the date of the election” is the deadline to return ballots.

21 (b) A contribution, including a loan, that totals in the aggregate  
22 ~~two one thousand dollars (\$2,000)~~ *(\$1,000)* or more and is made  
23 to or received by a political party committee, as defined in Section  
24 85205, ~~on the date of a state election or within 90 days before the~~  
25 ~~date of a state election~~ *or on the date of the election.*

26 ~~SEC. 3.~~

27 *SEC. 2.* Section 82036.5 of the Government Code is amended  
28 to read:

29 82036.5. “Late independent expenditure” means an independent  
30 expenditure that totals in the aggregate ~~two one thousand dollars~~  
31 ~~(\$2,000)~~ *(\$1,000)* or more and is made for or against a specific  
32 candidate or measure involved in an election ~~on the date of the~~  
33 ~~election or during the 90-day period preceding the date of the~~  
34 ~~election~~ *or on the date of the election.* For purposes of the Board  
35 of Administration of the Public Employees’ Retirement System  
36 and the Teachers’ Retirement Board, “the date of the election” is  
37 the deadline to return ballots.

38 ~~SEC. 4.~~

39 *SEC. 3.* Section 84101 of the Government Code is amended  
40 to read:

1 84101. (a) A committee that is a committee by virtue of  
2 subdivision (a) of Section 82013 shall file a statement of  
3 organization. The committee shall file the original of the statement  
4 of organization with the Secretary of State and shall also file a  
5 copy of the statement of organization with the local filing officer,  
6 if any, with whom the committee is required to file the originals  
7 of its campaign reports pursuant to Section 84215. The original  
8 and copy of the statement of organization shall be filed within 10  
9 days after the committee has qualified as a committee. The  
10 Secretary of State shall assign a number to each committee that  
11 files a statement of organization and shall notify the committee of  
12 the number. The Secretary of State shall send a copy of statements  
13 filed pursuant to this section to the county elections official of each  
14 county that he or she deems appropriate. A county elections official  
15 who receives a copy of a statement of organization from the  
16 Secretary of State pursuant to this section shall send a copy of the  
17 statement to the clerk of each city in the county that he or she  
18 deems appropriate.

19 (b) In addition to filing the statement of organization as required  
20 by subdivision (a), if a committee qualifies as a committee under  
21 subdivision (a) of Section 82013 before the date of an election in  
22 connection with which the committee is required to file preelection  
23 statements, but after the closing date of the last campaign statement  
24 required to be filed before the election pursuant to Section 84200.8  
25 or 84200.9, the committee shall file, by facsimile transmission,  
26 online transmission, guaranteed overnight delivery, or personal  
27 delivery within 24 hours of qualifying as a committee, the  
28 information required to be reported in the statement of organization.  
29 The information required by this subdivision shall be filed with  
30 the filing officer with whom the committee is required to file the  
31 originals of its campaign reports pursuant to Section 84215.

32 (c) If an independent expenditure committee qualifies as a  
33 committee pursuant to subdivision (a) of Section 82013 during the  
34 time period described in Section 82036.5 and makes independent  
35 expenditures of ~~two~~ *one* thousand dollars ~~(\$2,000)~~ *(\$1,000)* or  
36 more to support or oppose a candidate or candidates for office, the  
37 committee shall file, by facsimile transmission, online transmission,  
38 guaranteed overnight delivery, or personal delivery within 24 hours  
39 of qualifying as a committee, the information required to be  
40 reported in the statement of organization. The information required

1 by this section shall be filed with the filing officer with whom the  
2 committee is required to file the original of its campaign reports  
3 pursuant to Section 84215, and shall be filed at all locations  
4 required for the candidate or candidates supported or opposed by  
5 the independent expenditures. The filings required by this section  
6 are in addition to filings that may be required by Section 84204.

7 (d) For purposes of this section, in calculating whether ~~two~~ *one*  
8 thousand dollars ~~(\$2,000)~~ *(\$1,000)* in contributions has been  
9 received, payments for a filing fee or for a statement of  
10 qualifications to appear in a sample ballot shall not be included if  
11 these payments have been made from the candidate's personal  
12 funds.

13 ~~SEC. 5.~~

14 *SEC. 4.* Section 84103 of the Government Code is amended  
15 to read:

16 84103. (a) If there is a change in any of the information  
17 contained in a statement of organization, an amendment shall be  
18 filed within 10 days to reflect the change. The committee shall file  
19 the original of the amendment with the Secretary of State and shall  
20 also file a copy of the amendment with the local filing officer, if  
21 any, with whom the committee is required to file the originals of  
22 its campaign reports pursuant to Section 84215.

23 (b) In addition to filing an amendment to a statement of  
24 organization as required by subdivision (a), a committee as defined  
25 in subdivision (a) of Section 82013 shall, by facsimile transmission,  
26 online transmission, guaranteed overnight delivery, or personal  
27 delivery within 24 hours, notify the filing officer with whom it is  
28 required to file the originals of its campaign reports pursuant to  
29 Section 84215 if the change requiring the amendment occurs before  
30 the date of the election in connection with which the committee  
31 is required to file a preelection statement, but after the closing date  
32 of the last preelection statement required to be filed for the election  
33 pursuant to Section 84200.8, if any of the following information  
34 is changed:

- 35 (1) The name of the committee.  
36 (2) The name of the treasurer or other principal officers.  
37 (3) The name of any candidate or committee by which the  
38 committee is controlled or with which it acts jointly.

1 The notification shall include the changed information, the date  
2 of the change, the name of the person providing the notification,  
3 and the committee's name and identification number.

4 A committee may file a notification online only if the appropriate  
5 filing officer is capable of receiving the notification in that manner.

6 ~~SEC. 6.~~

7 *SEC. 5.* Section 84200.5 of the Government Code is repealed.

8 ~~SEC. 7.~~

9 *SEC. 6.* Section 84200.5 is added to the Government Code, to  
10 read:

11 84200.5. In addition to the campaign statements required by  
12 Section 84200, elected officers, candidates, and committees shall  
13 file preelection statements as follows:

14 (a) All candidates appearing on the ballot to be voted on at the  
15 next election, their controlled committees, and committees  
16 primarily formed to support or oppose an elected officer, candidate,  
17 or a measure appearing on the ballot to be voted on at the next  
18 election shall file the applicable preelection statements specified  
19 in Section 84200.8.

20 (b) All elected state officers and candidates for elective state  
21 office who are not appearing on the ballot at the next statewide  
22 primary or general ~~election ballot~~, *election*, and who, during the  
23 preelection reporting periods covered by Section 84200.8,  
24 contribute to any committee required to report receipts,  
25 expenditures, or contributions pursuant to this title, or make an  
26 independent expenditure of ~~one thousand five hundred~~ dollars  
27 ~~(\$1,000)~~ *(\$500)* or more in connection with the statewide primary  
28 or general election, shall file the applicable preelection statements  
29 specified in Section 84200.8.

30 (c) A state or county general purpose ~~recipient~~ committee  
31 formed pursuant to subdivision (a) of Section 82013, other than a  
32 political party committee as defined in Section 84205, shall file  
33 the applicable preelection statements specified in Section 84200.8  
34 if it makes contributions or independent expenditures totaling ~~one~~  
35 ~~thousand five hundred~~ dollars ~~(\$1,000)~~ *(\$500)* or more in  
36 connection with the statewide primary or general election during  
37 the period covered by the preelection statements. However, a state  
38 or county general purpose committee formed pursuant to  
39 subdivision (b) or (c) of Section 82013 is not required to file the  
40 preelection statements specified in Section 84200.8.

1 (d) A political party committee as defined in Section 84205  
2 shall file the applicable preelection statements specified in Section  
3 84200.8 in connection with a ~~statewide~~ *state* election if the  
4 committee receives contributions totaling one thousand dollars  
5 (\$1,000) or more, or if it makes contributions or independent  
6 expenditures totaling ~~one thousand~~ *five hundred* dollars ~~(\$1,000)~~  
7 *(\$500)* or more, in connection with the election during the period  
8 covered by the preelection statement.

9 (e) A city general purpose committee formed pursuant to  
10 subdivision (a) of Section 82013 shall file the applicable  
11 preelection statements specified in Section 84200.8 if it makes  
12 contributions or independent expenditures totaling ~~one thousand~~  
13 *five hundred* dollars ~~(\$1,000)~~ *(\$500)* or more in connection with  
14 a city election in the committee's jurisdiction during the period  
15 covered by the preelection statements. However, a city general  
16 purpose committee formed pursuant to subdivision (b) or (c) of  
17 Section 82013 is not required to file the preelection statements  
18 specified in Section 84200.8.

19 ~~CalPERS and CalSTRS Elections.~~ During an election period  
20 for the Board of Administration of the Public Employees'  
21 Retirement System or the Teachers' Retirement Board:

22 (1) All candidates for these boards, their controlled committees,  
23 and committees primarily formed to support or oppose the  
24 candidates shall file the preelection statements specified in Section  
25 84200.9.

26 (2) A state or county general purpose committee formed  
27 pursuant to subdivision (a) of Section 82013 shall file the  
28 preelection statements specified in Section 84200.9 if it makes  
29 contributions or independent expenditures totaling ~~one thousand~~  
30 *five hundred* dollars ~~(\$1,000)~~ *(\$500)* or more during the period  
31 covered by the preelection statement to support or oppose a  
32 candidate, or a committee primarily formed to support or oppose  
33 a candidate on the ballot for the Board of Administration of the  
34 Public Employees' Retirement System or the Teachers' Retirement  
35 Board.

36 (3) However, a general purpose committee formed pursuant to  
37 subdivision (b) or (c) of Section 82013 is not required to file the  
38 statements specified in Section 84200.9.

1 ~~SEC. 8.~~

2 *SEC. 7.* Section 84200.6 of the Government Code is amended  
3 to read:

4 84200.6. In addition to the campaign statements required by  
5 Sections 84200 and 84200.5, all candidates and committees shall  
6 file the following special statements and reports:

7 (a) Late contribution reports, when required by Section 84203.

8 (b) Late independent expenditure reports, when required by  
9 Section 84204.

10 ~~SEC. 9.~~

11 *SEC. 8.* Section 84200.7 of the Government Code is repealed.

12 ~~SEC. 10.~~

13 *SEC. 9.* Section 84202.5 of the Government Code is repealed.

14 ~~SEC. 11.~~

15 *SEC. 10.* Section 84203.5 of the Government Code is repealed.

16 ~~SEC. 12.~~

17 *SEC. 11.* Section 84218 of the Government Code is amended  
18 to read:

19 84218. (a) A slate mailer organization shall file semiannual  
20 campaign statements no later than July 31 for the period ending  
21 June 30, and no later than January 31 for the period ending  
22 December 31.

23 (b) In addition to the semiannual statements required by  
24 subdivision (a), a slate mailer organization which produces a slate  
25 mailer supporting or opposing candidates or measures being voted  
26 on in an election shall file the statements specified in Section  
27 84200.8 if, during the period covered by the preelection statement,  
28 the slate mailer organization receives payments totaling ~~one~~  
29 ~~thousand five hundred~~ dollars ~~(\$1,000)~~ (\$500) or more from any  
30 person for the support of or opposition to candidates or ballot  
31 measures in one or more slate mailers, or expends five hundred  
32 dollars (\$500) or more to produce one or more slate mailers.

33 (c) A slate mailer organization shall file two copies of its  
34 campaign reports with the clerk of the county in which it is  
35 domiciled. A slate mailer organization is domiciled at the address  
36 listed on its statement of organization unless it is domiciled outside  
37 California, in which case its domicile shall be deemed to be Los  
38 Angeles County for purposes of this section.

39 In addition, slate mailer organizations shall file campaign reports  
40 as follows:

1 (1) A slate mailer organization which produces one or more  
2 slate mailers supporting or opposing candidates or measures voted  
3 on in a state election, or in more than one county, shall file  
4 campaign reports in the same manner as state general purpose  
5 committees pursuant to subdivision (a) of Section 84215.

6 (2) A slate mailer organization which produces one or more  
7 slate mailers supporting or opposing candidates or measures voted  
8 on in only one county, or in more than one jurisdiction within one  
9 county, shall file campaign reports in the same manner as county  
10 general purpose committees pursuant to subdivision (c) of Section  
11 84215.

12 (3) A slate mailer organization which produces one or more  
13 slate mailers supporting or opposing candidates or measures voted  
14 on in only one city shall file campaign reports in the same manner  
15 as city general purpose committees pursuant to subdivision (d) of  
16 Section 84215.

17 (4) Notwithstanding the above, no slate mailer organization  
18 shall be required to file more than the original and one copy, or  
19 two copies, of a campaign report with any one county or city clerk  
20 or with the Secretary of State.

21 ~~SEC. 13.~~

22 *SEC. 12.* No reimbursement is required by this act pursuant  
23 to Section 6 of Article XIII B of the California Constitution because  
24 the only costs that may be incurred by a local agency or school  
25 district will be incurred because this act creates a new crime or  
26 infraction, eliminates a crime or infraction, or changes the penalty  
27 for a crime or infraction, within the meaning of Section 17556 of  
28 the Government Code, or changes the definition of a crime within  
29 the meaning of Section 6 of Article XIII B of the California  
30 Constitution.

31 ~~SEC. 14.~~

32 *SEC. 13.* The Legislature finds and declares that this bill  
33 furthers the purposes of the Political Reform Act of 1974 within  
34 the meaning of subdivision (a) of Section 81012 of the Government  
35 Code.

**Introduced by Senator Hill**December 1, 2014

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An act to amend Sections 87207 and 89506 of the Government Code, relating to the Political Reform Act of 1974.

## LEGISLATIVE COUNSEL'S DIGEST

SB 21, as introduced, Hill. Political Reform Act of 1974: gifts of travel.

The Political Reform Act of 1974 provides for the comprehensive regulation of campaign financing and related matters, including the reporting of gifts, as defined. The act prohibits specified officers from receiving gifts in excess of \$440 in value from a single source in a calendar year. The act exempts gift payments for the actual costs of specified types of travel that are reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy, from the annual limit on the value of gifts from a single source.

This bill would require a nonprofit organization that pays for these types of travel for an elected state officer or local elected officeholder to disclose the names of donors responsible for funding the payments, as specified. The bill would require a person who receives a gift of a travel payment from any source to report the travel destination on his or her statement of economic interests.

A violation of the Act's provisions is punishable as a misdemeanor. By expanding the scope of an existing crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a 2/3 vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 87207 of the Government Code is  
 2 amended to read:  
 3 87207. (a) ~~When~~*If* income is required to be reported under  
 4 this article, the statement shall contain, except as provided in  
 5 subdivision (b):  
 6 (1) The name and address of each source of income aggregating  
 7 five hundred dollars (\$500) or more in value, or fifty dollars (\$50)  
 8 or more in value if the income was a gift, and a general description  
 9 of the business activity, if any, of each source.  
 10 (2) A statement whether the aggregate value of income from  
 11 each source, or in the case of a loan, the highest amount owed to  
 12 each source, was at least five hundred dollars (\$500) but did not  
 13 exceed one thousand dollars (\$1,000), whether it was in excess of  
 14 one thousand dollars (\$1,000) but was not greater than ten thousand  
 15 dollars (\$10,000), whether it was greater than ten thousand dollars  
 16 (\$10,000) but not greater than one hundred thousand dollars  
 17 (\$100,000), or whether it was greater than one hundred thousand  
 18 dollars (\$100,000).  
 19 (3) A description of the consideration, if any, for which the  
 20 income was received.  
 21 (4) In the case of a gift, the amount and the date on which the  
 22 gift was received, *and the travel destination for purposes of a gift*  
 23 *that is a travel payment, advance, or reimbursement.*  
 24 (5) In the case of a loan, the annual interest rate, the security,  
 25 if any, given for the loan, and the term of the loan.  
 26 (b) ~~When~~*If* the filer’s pro rata share of income to a business  
 27 entity, including income to a sole proprietorship, is required to be  
 28 reported under this article, the statement shall contain:

1 (1) The name, address, and a general description of the business  
2 activity of the business entity.

3 (2) The name of every person from whom the business entity  
4 received payments if the filer's pro rata share of gross receipts  
5 from that person was equal to or greater than ten thousand dollars  
6 (\$10,000) during a calendar year.

7 (c) ~~When~~*If* a payment, including an advance or reimbursement,  
8 for travel is required to be reported pursuant to this section, it may  
9 be reported on a separate travel reimbursement schedule which  
10 shall be included in the filer's statement of economic interest. A  
11 filer who chooses not to use the travel schedule shall disclose  
12 payments for travel as a gift, unless it is clear from all surrounding  
13 circumstances that the services provided were equal to or greater  
14 in value than the payments for the travel, in which case the travel  
15 may be reported as income.

16 SEC. 2. Section 89506 of the Government Code is amended  
17 to read:

18 89506. (a) Payments, advances, or reimbursements; for travel,  
19 including actual transportation and related lodging and subsistence  
20 that is reasonably related to a legislative or governmental purpose,  
21 or to an issue of state, national, or international public policy, are  
22 not prohibited or limited by this chapter if either of the following  
23 ~~apply~~ *applies*:

24 (1) The travel is in connection with a speech given by the elected  
25 state officer, local elected officeholder, candidate for ~~elected~~  
26 *elective* state office or local ~~elected~~, *elective* office, an individual  
27 specified in Section 87200, member of a state board or commission,  
28 or designated employee of a state or local government agency, the  
29 lodging and subsistence expenses are limited to the day  
30 immediately preceding, the day of, and the day immediately  
31 following the speech, and the travel is within the United States.

32 (2) The travel is provided by a government, a governmental  
33 agency, a foreign government, a governmental authority, a bona  
34 fide public or private educational institution, as defined in Section  
35 203 of the Revenue and Taxation Code, a nonprofit organization  
36 that is exempt from taxation under Section 501(c)(3) of the Internal  
37 Revenue Code, or by a person domiciled outside the United States  
38 ~~which~~ *who* substantially satisfies the requirements for tax-exempt  
39 status under Section 501(c)(3) of the Internal Revenue Code.

1 (b) Gifts of travel not described in subdivision (a) are subject  
2 to the limits in Section 89503.

3 (c) Subdivision (a) applies only to travel that is reported on the  
4 recipient's statement of economic interests.

5 (d) For purposes of this section, a gift of travel does not include  
6 any of the following:

7 (1) Travel that is paid for from campaign funds, as permitted  
8 by Article 4 (commencing with Section 89510), or that is a  
9 contribution.

10 (2) Travel that is provided by the agency of a local elected  
11 officeholder, an elected state officer, member of a state board or  
12 commission, an individual specified in Section 87200, or a  
13 designated employee.

14 (3) Travel that is reasonably necessary in connection with a  
15 bona fide business, trade, or profession and that satisfies the criteria  
16 for federal income tax deduction for business expenses in Sections  
17 162 and 274 of the Internal Revenue Code, unless the sole or  
18 predominant activity of the business, trade, or profession is making  
19 speeches.

20 (4) Travel that is excluded from the definition of a gift by any  
21 other provision of this title.

22 (e) This section does not apply to payments, advances, or  
23 reimbursements for travel and related lodging and subsistence  
24 permitted or limited by Section 170.9 of the Code of Civil  
25 Procedure.

26 (f) (1) *A nonprofit organization that makes payments, advances,  
27 or reimbursements that total more than ten thousand dollars  
28 (\$10,000) in a calendar year, or that total more than five thousand  
29 dollars (\$5,000) in a calendar year for a single person, for travel  
30 by an elected state officer or local elected officeholder as described  
31 in subdivision (a) shall disclose to the Commission the names of  
32 the donors responsible for funding those payments, advances, or  
33 reimbursements. The disclosure of donor names shall be limited  
34 to donors who donated one thousand dollars (\$1,000) or more to  
35 the nonprofit organization in a calendar year and who knew or  
36 had reason to know that the donation would be used for a payment,  
37 advance, or reimbursement for travel by an elected state officer  
38 or local elected officeholder as described in subdivision (a).*

1 (2) A donor knows or has reason to know that his or her  
2 donation will be used in the manner described in paragraph (1)  
3 under any of the following conditions:

4 (A) The donor directed the nonprofit organization to use the  
5 donation to make a payment, advance, or reimbursement for travel  
6 by an elected state officer or local elected officeholder as described  
7 in subdivision (a).

8 (B) The donor made the donation in response to a message or  
9 solicitation for donations for the stated purpose of making a  
10 payment, advance, or reimbursement for travel by an elected state  
11 officer or local elected officeholder as described in subdivision  
12 (a).

13 (C) The donor, or an agent, employee, or representative of the  
14 donor, accompanied an elected state officer or local elected  
15 officeholder for any portion of travel as described in subdivision  
16 (a).

17 (3) For purposes of Sections 87103, 87207, and 89503, a  
18 nonprofit organization that makes payments, advances, or  
19 reimbursements for travel by an elected state officer or local  
20 elected officeholder as described in subdivision (a) is the source  
21 of the gift unless the nonprofit organization is acting as an  
22 intermediary or agent of the donor. If the nonprofit organization  
23 is acting as an intermediary or agent of the donor, all of the  
24 following apply:

25 (A) The donor to the nonprofit organization is the source of the  
26 gift.

27 (B) The donor shall be identified as a financial interest under  
28 Section 87103.

29 (C) The gift shall be reported as required by Section 87207.

30 (D) The gift shall be subject to the limitations on gifts specified  
31 in Section 89503.

32 SEC. 3. No reimbursement is required by this act pursuant to  
33 Section 6 of Article XIII B of the California Constitution because  
34 the only costs that may be incurred by a local agency or school  
35 district will be incurred because this act creates a new crime or  
36 infraction, eliminates a crime or infraction, or changes the penalty  
37 for a crime or infraction, within the meaning of Section 17556 of  
38 the Government Code, or changes the definition of a crime within  
39 the meaning of Section 6 of Article XIII B of the California  
40 Constitution.

1 SEC. 4. The Legislature finds and declares that this bill furthers  
2 the purposes of the Political Reform Act of 1974 within the  
3 meaning of subdivision (a) of Section 81012 of the Government  
4 Code.

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AMENDED IN ASSEMBLY APRIL 7, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 10**

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**Introduced by Assembly Member Gatto**

December 1, 2014

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An act to amend Sections 82015, 82033, 82034, 87103, 87206, and 87207 of, and to add Sections 87206.5 and 87211 to, the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

AB 10, as amended, Gatto. Political Reform Act of 1974: *behested payments and economic interest disclosures.*

*(1) The Political Reform Act of 1974 requires elected officers, candidates, and committees to file semiannual campaign statements that include, among other things, the total amount of contributions received during the period covered by the campaign statement and the total cumulative amount of contributions received. The act provides that contributions include a payment made at the behest of a candidate unless full and adequate consideration is received from the candidate or it is clear from the surrounding circumstances that the payment was made for purposes unrelated to his or her candidacy for elective office. The act provides that a payment made principally for legislative, governmental, or charitable purposes is presumed to be made for purposes unrelated to a candidate's candidacy for elective office and is neither a gift nor a contribution. The act requires a payment of this type made at the behest of a candidate who is an elected officer to be reported within 30 days following the date on which the payment or payments equal or exceed \$5,000 in the aggregate from the same source in the same calendar year in which the payments are made.*

*This bill would also require candidates who are required to file campaign statements, and elected officers for one year after they leave elective office, to report within 30 days following the date on which a behested payment or payments are made for legislative, governmental, or charitable purposes that equal or exceed \$5,000 in the aggregate from the same source in the same calendar year in which the payments are made.*

~~The~~

(2) *The Political Reform Act of 1974 prohibits a public official at any level of state or local government from making, participating in making, or in any way attempting to use his or her official position to influence a governmental decision in which the public official knows or has reason to know that he or she has a financial interest. A public official has a financial interest in a governmental decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on a business entity in which the public official has a direct or indirect investment worth \$2,000 or more, real property in which the public official has a direct or indirect interest worth \$2,000 or more, and sources of income aggregating \$500 or more in value within 12 months prior to the time when the decision is made.*

The Political Reform Act of 1974 requires persons holding specified public offices to file disclosures of investments, real property interests, and income within specified periods of assuming or leaving office, and annually while holding the office. The act requires the disclosures to include a statement indicating, within a specified value range, the fair market value of investments or interests in real property and the aggregate value of income received from a source.

This bill would increase the thresholds at which a public official has a disqualifying financial interest in sources of income from \$500 to \$1,000, in investments in business entities from \$2,000 to \$5,000, and in interests in real property from \$2,000 to \$10,000.

The bill would make conforming adjustments to the thresholds at which income, investments, and interests in real property must be disclosed on a public official's statement of economic interests. The bill would also revise the dollar amounts associated with the value ranges for reporting the value of economic interests.

This bill would require certain public officials to disclose information on the official's statement of economic interests relating to governmental

decisions for which the public official had a disqualifying financial interest, as specified.

Existing law makes a knowing or willful violation of the act a misdemeanor and subjects offenders to criminal penalties.

By creating additional crimes, this bill would impose a state-mandated local program.

~~The~~

(3) *The California Constitution* requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~The~~

(4) *The Political Reform Act of 1974*, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a  $\frac{2}{3}$  vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 82015 of the Government Code is  
2 amended to read:

3 82015. (a) “Contribution” means a payment, a forgiveness of  
4 a loan, a payment of a loan by a third party, or an enforceable  
5 promise to make a payment except to the extent that full and  
6 adequate consideration is received, unless it is clear from the  
7 surrounding circumstances that it is not made for political purposes.

8 (b) (1) A payment made at the behest of a committee, as defined  
9 in subdivision (a) of Section 82013, is a contribution to the  
10 committee unless full and adequate consideration is received from  
11 the committee for making the payment.

12 (2) A payment made at the behest of a candidate is a contribution  
13 to the candidate unless the criteria in either subparagraph (A) or  
14 (B) are satisfied:

15 (A) Full and adequate consideration is received from the  
16 candidate.

1 (B) It is clear from the surrounding circumstances that the  
2 payment was made for purposes unrelated to his or her candidacy  
3 for elective office. The following types of payments are presumed  
4 to be for purposes unrelated to a candidate's candidacy for elective  
5 office:

6 (i) A payment made principally for personal purposes, in which  
7 case it may be considered a gift under ~~the provisions of~~ Section  
8 82028. Payments that are otherwise subject to the limits of Section  
9 86203 are presumed to be principally for personal purposes.

10 (ii) A payment made by a state, local, or federal governmental  
11 agency or by a nonprofit organization that is exempt from taxation  
12 under Section 501(c)(3) of the Internal Revenue Code.

13 (iii) A payment not covered by clause (i), made principally for  
14 legislative, governmental, or charitable purposes, in which case it  
15 is neither a gift nor a contribution. However, payments of this type  
16 that are made at the behest of *a candidate who is required to file*  
17 *a campaign statement*, a candidate who is an ~~elected officer~~ *officer*,  
18 *or an elected officer for one year after he or she leaves elective*  
19 *office*, shall be reported within 30 days following the date on which  
20 the payment or payments equal or exceed five thousand dollars  
21 (\$5,000) in the aggregate from the same source in the same  
22 calendar year in which they are made. The report shall be ~~filed by~~  
23 ~~the elected officer~~ *filed, for a candidate who is required to file a*  
24 *campaign statement, with the officials and agencies he or she is*  
25 *required to file his or her campaign statement, for an elected*  
26 *officer, with the elected officer's ~~agency and~~ agency, and for an*  
27 *elected officer for the one year after he or she has left elective*  
28 *office, with the agency the elected officer was required to file the*  
29 *statement when he or she was an elected officer. The report shall*  
30 *be a public record subject to inspection and copying pursuant to*  
31 ~~subdivision (a) of~~ Section 81008. The report shall contain the  
32 following information: name of payor, address of payor, amount  
33 of the payment, date or dates the payment or payments were made,  
34 the name and address of the payee, a brief description of the goods  
35 or services provided or purchased, if any, and a description of the  
36 specific purpose or event for which the payment or payments were  
37 made. Once the five-thousand-dollar (\$5,000) aggregate threshold  
38 from a single source has been reached for a calendar year, all  
39 payments for the calendar year made by that source shall be  
40 disclosed within 30 days after the date the threshold was reached

1 or the payment was made, whichever occurs later. Within 30 days  
2 after receipt of the report, state agencies shall forward a copy of  
3 these reports to the Commission, and local agencies shall forward  
4 a copy of these reports to the officer with whom *candidates for*,  
5 *and* elected officers—~~of~~ *of*, that agency file their campaign  
6 statements.

7 (C) For purposes of subparagraph (B), a payment is made for  
8 purposes related to a candidate's candidacy for elective office if  
9 all or a portion of the payment is used for election-related activities.  
10 For purposes of this subparagraph, "election-related activities"  
11 shall include, but are not limited to, the following:

12 (i) Communications that contain express advocacy of the  
13 nomination or election of the candidate or the defeat of his or her  
14 opponent.

15 (ii) Communications that contain reference to the candidate's  
16 candidacy for elective office, the candidate's election campaign,  
17 or the candidate's or his or her opponent's qualifications for  
18 elective office.

19 (iii) Solicitation of contributions to the candidate or to third  
20 persons for use in support of the candidate or in opposition to his  
21 or her opponent.

22 (iv) Arranging, coordinating, developing, writing, distributing,  
23 preparing, or planning of any communication or activity described  
24 in clause (i), (ii), or (iii).

25 (v) Recruiting or coordinating campaign activities of campaign  
26 volunteers on behalf of the candidate.

27 (vi) Preparing campaign budgets.

28 (vii) Preparing campaign finance disclosure statements.

29 (viii) Communications directed to voters or potential voters as  
30 part of activities encouraging or assisting persons to vote if the  
31 communication contains express advocacy of the nomination or  
32 election of the candidate or the defeat of his or her opponent.

33 (D) A contribution made at the behest of a candidate for a  
34 different candidate or to a committee not controlled by the  
35 behesting candidate is not a contribution to the behesting candidate.

36 (3) A payment made at the behest of a member of the Public  
37 Utilities Commission, made principally for legislative,  
38 governmental, or charitable purposes, is not a contribution.  
39 However, payments of this type shall be reported within 30 days  
40 following the date on which the payment or payments equal or

1 exceed five thousand dollars (\$5,000) in the aggregate from the  
2 same source in the same calendar year in which they are made.  
3 The report shall be filed by the member with the Public Utilities  
4 Commission and shall be a public record subject to inspection and  
5 copying pursuant to ~~subdivision (a)~~ of Section 81008. The report  
6 shall contain the following information: name of payor, address  
7 of payor, amount of the payment, date or dates the payment or  
8 payments were made, the name and address of the payee, a brief  
9 description of the goods or services provided or purchased, if any,  
10 and a description of the specific purpose or event for which the  
11 payment or payments were made. Once the five-thousand-dollar  
12 (\$5,000) aggregate threshold from a single source has been reached  
13 for a calendar year, all payments for the calendar year made by  
14 that source shall be disclosed within 30 days after the date the  
15 threshold was reached or the payment was made, whichever occurs  
16 later. Within 30 days after receipt of the report, the Public Utilities  
17 Commission shall forward a copy of these reports to the Fair  
18 Political Practices Commission.

19 (c) "Contribution" includes the purchase of tickets for events  
20 such as dinners, luncheons, rallies, and similar fundraising events;  
21 the candidate's own money or property used on behalf of his or  
22 her candidacy, other than personal funds of the candidate used to  
23 pay either a filing fee for a declaration of candidacy or a candidate  
24 statement prepared pursuant to Section 13307 of the Elections  
25 Code; the granting of discounts or rebates not extended to the  
26 public generally or the granting of discounts or rebates by television  
27 and radio stations and newspapers not extended on an equal basis  
28 to all candidates for the same office; the payment of compensation  
29 by any person for the personal services or expenses of any other  
30 person if the services are rendered or expenses incurred on behalf  
31 of a candidate or committee without payment of full and adequate  
32 consideration.

33 (d) "Contribution" further includes any transfer of anything of  
34 value received by a committee from another committee, unless  
35 full and adequate consideration is received.

36 (e) "Contribution" does not include amounts received pursuant  
37 to an enforceable promise to the extent those amounts have been  
38 previously reported as a contribution. However, the fact that those  
39 amounts have been received shall be indicated in the appropriate  
40 campaign statement.

1 (f) (1) Except as provided in paragraph (2) or (3), “contribution”  
2 does not include a payment made by an occupant of a home or  
3 office for costs related to any meeting or fundraising event held  
4 in the occupant’s home or office if the costs for the meeting or  
5 fundraising event are five hundred dollars (\$500) or less.

6 (2) “Contribution” includes a payment made by a lobbyist or a  
7 cohabitant of a lobbyist for costs related to a fundraising event  
8 held at the home of the lobbyist, including the value of the use of  
9 the home as a fundraising event venue. A payment described in  
10 this paragraph shall be attributable to the lobbyist for purposes of  
11 Section 85702.

12 (3) “Contribution” includes a payment made by a lobbying firm  
13 for costs related to a fundraising event held at the office of the  
14 lobbying firm, including the value of the use of the office as a  
15 fundraising event venue.

16 (g) Notwithstanding the foregoing definition of “contribution,”  
17 the term does not include volunteer personal services or payments  
18 made by any individual for his or her own travel expenses if the  
19 payments are made voluntarily without any understanding or  
20 agreement that they shall be, directly or indirectly, repaid to him  
21 or her.

22 (h) “Contribution” further includes the payment of public  
23 moneys by a state or local governmental agency for a  
24 communication to the public that satisfies both of the following:

25 (1) The communication expressly advocates the election or  
26 defeat of a clearly identified candidate or the qualification, passage,  
27 or defeat of a clearly identified measure, or, taken as a whole and  
28 in context, unambiguously urges a particular result in an election.

29 (2) The communication is made at the behest of the affected  
30 candidate or committee.

31 (i) “Contribution” further includes a payment made by a person  
32 to a multipurpose organization as defined and described in Section  
33 84222.

34 **SECTION 4.**

35 *SEC. 2.* Section 82033 of the Government Code is amended  
36 to read:

37 82033. “Interest in real property” includes any leasehold,  
38 beneficial or ownership interest or an option to acquire such an  
39 interest in real property located in the jurisdiction owned directly,  
40 indirectly or beneficially by the public official, or other filer, or

1 his or her immediate family if the fair market value of the interest  
2 is ten thousand dollars (\$10,000) or more. Interests in real property  
3 of an individual includes a pro rata share of interests in real  
4 property of any business entity or trust in which the individual or  
5 immediate family owns, directly, indirectly or beneficially, a  
6 10-percent interest or greater.

7 ~~SEC. 2.~~

8 *SEC. 3.* Section 82034 of the Government Code is amended  
9 to read:

10 82034. “Investment” means any financial interest in or security  
11 issued by a business entity, including, but not limited to, common  
12 stock, preferred stock, rights, warrants, options, debt instruments,  
13 and any partnership or other ownership interest owned directly,  
14 indirectly, or beneficially by the public official, or other filer, or  
15 his or her immediate family, if the business entity or any parent,  
16 subsidiary, or otherwise related business entity has an interest in  
17 real property in the jurisdiction, or does business or plans to do  
18 business in the jurisdiction, or has done business within the  
19 jurisdiction at any time during the two years prior to the time any  
20 statement or other action is required under this title. An asset shall  
21 not be deemed an investment unless its fair market value equals  
22 or exceeds five thousand dollars (\$5,000). The term “investment”  
23 does not include a time or demand deposit in a financial institution,  
24 shares in a credit union, any insurance policy, interest in a  
25 diversified mutual fund registered with the Securities and Exchange  
26 Commission under the Investment Company Act of 1940 (*15*  
27 *U.S.C. 80a-1 et seq.*) or in a common trust fund created pursuant  
28 to Section 1585 of the Financial Code, interest in a government  
29 defined-benefit pension plan, or any bond or other debt instrument  
30 issued by any government or government agency. Investments of  
31 an individual includes a pro rata share of investments of any  
32 business entity, mutual fund, or trust in which the individual or  
33 immediate family owns, directly, indirectly, or beneficially, a  
34 10-percent interest or greater. The term “parent, subsidiary or  
35 otherwise related business entity” shall be specifically defined by  
36 regulations of the ~~commission~~. *Commission*.

37 ~~SEC. 3.~~

38 *SEC. 4.* Section 87103 of the Government Code is amended  
39 to read:

1 87103. A public official has a financial interest in a decision  
2 within the meaning of Section 87100 if it is reasonably foreseeable  
3 that the decision will have a material financial effect,  
4 distinguishable from its effect on the public generally, on the  
5 official, a member of his or her immediate family, or on any of  
6 the following:

7 (a) Any business entity in which the public official has a direct  
8 or indirect investment worth five thousand dollars (\$5,000) or  
9 more.

10 (b) Any real property in which the public official has a direct  
11 or indirect interest worth ten thousand dollars (\$10,000) or more.

12 (c) Any source of income, except gifts or loans by a commercial  
13 lending institution made in the regular course of business on terms  
14 available to the public without regard to official status, aggregating  
15 one thousand dollars (\$1,000) or more in value provided or  
16 promised to, received by, the public official within 12 months ~~prior~~  
17 ~~to~~ *before* the time when the decision is made.

18 (d) Any business entity in which the public official is a director,  
19 officer, partner, trustee, employee, or holds any position of  
20 management.

21 (e) Any donor of, or any intermediary or agent for a donor of,  
22 a gift or gifts aggregating two hundred fifty dollars (\$250) or more  
23 in value provided to, received by, or promised to the public official  
24 within 12 months ~~prior to~~ *before* the time when the decision is  
25 made. The amount of the value of gifts specified by this subdivision  
26 shall be adjusted biennially by the commission to equal the same  
27 amount determined by the commission pursuant to subdivision (f)  
28 of Section 89503.

29 For purposes of this section, indirect investment or interest means  
30 any investment or interest owned by the spouse or dependent child  
31 of a public official, by an agent on behalf of a public official, or  
32 by a business entity or trust in which the official, the official's  
33 agents, spouse, and dependent children own directly, indirectly,  
34 or beneficially a 10-percent interest or greater.

35 ~~SEC. 4.~~

36 *SEC. 5.* Section 87206 of the Government Code is amended  
37 to read:

38 87206. If an investment is required to be disclosed under this  
39 article, the statement shall contain all of the following:

40 (a) A statement of the nature of the investment.

1 (b) The name of the business entity in which each investment  
 2 is held, and a general description of the business activity in which  
 3 the business entity is engaged. ~~However, if the filer has a financial~~  
 4 ~~interest in the business entity pursuant to subdivision (d) of Section~~  
 5 ~~87103, If a filer is required to report on his or her statement of~~  
 6 ~~economic interests a business entity investment in which the filer~~  
 7 ~~is a director, officer, partner, or trustee, the filer shall provide a~~  
 8 thorough and detailed description of the business entity’s activities  
 9 and disclose the names of all business partners who share a  
 10 financial interest in the business entity, based on criteria established  
 11 by the Commission.

12 (c) A statement indicating which of the following represents  
 13 the fair market value of the ~~investment~~: *investment*:

14 (1) At least five thousand dollars (\$5,000) but not greater than  
 15 ten thousand dollars (\$10,000).

16 (2) Greater than ten thousand dollars (\$10,000) but not greater  
 17 than one hundred thousand dollars (\$100,000).

18 (3) Greater than one hundred thousand dollars (\$100,000) but  
 19 not greater than two hundred fifty thousand dollars (\$250,000).

20 (4) Greater than two hundred fifty thousand dollars (\$250,000)  
 21 but not greater than five hundred thousand dollars (\$500,000).

22 (5) Greater than five hundred thousand dollars (\$500,000) but  
 23 not greater than one million dollars (\$1,000,000).

24 (6) Greater than one million dollars (\$1,000,000) but not greater  
 25 than two million dollars (\$2,000,000).

26 (7) Greater than two million dollars (\$2,000,000).

27 (d) In the case of a statement filed under Section 87203 or  
 28 87204, if the investment was partially or wholly acquired or  
 29 disposed of during the period covered by the statement, the date  
 30 of acquisition or disposal.

31 ~~SEC. 5.~~

32 *SEC. 6.* Section 87206.5 is added to the Government Code, to  
 33 read:

34 87206.5. (a) If an interest in real property is required to be  
 35 disclosed under this article, the statement shall contain all of the  
 36 following:

37 (1) A statement of the nature of the interest.

38 (2) The address or other precise location of the real property.

39 (3) A statement indicating which of the following represents  
 40 the fair market value of the interest in real property:

1 (A) At least ten thousand dollars (\$10,000) but not greater than  
2 two hundred fifty thousand dollars (\$250,000).

3 (B) Greater than two hundred fifty thousand dollars (\$250,000)  
4 but not greater than five hundred thousand dollars (\$500,000).

5 (C) Greater than five hundred thousand dollars (\$500,000) but  
6 not greater than seven hundred fifty thousand dollars (\$750,000).

7 (D) Greater than seven hundred fifty thousand dollars (\$750,000)  
8 but not greater than one million dollars (\$1,000,000).

9 (E) Greater than one million dollars (\$1,000,000) but not greater  
10 than two million dollars (\$2,000,000).

11 (F) Greater than two million dollars (\$2,000,000).

12 (4) In the case of a statement filed under Section 87203 or  
13 87204, if the interest in real property was partially or wholly  
14 acquired or disposed of during the period covered by the statement,  
15 the date of acquisition or disposal.

16 (b) For purposes of disclosure under this article, “interest in real  
17 property” does not include the principal residence of the filer or  
18 any other property that the filer ~~utilizes~~ *uses* exclusively as the  
19 personal residence of the filer.

20 ~~SEC. 6.~~

21 *SEC. 7.* Section 87207 of the Government Code is amended  
22 to read:

23 87207. (a) Except as provided in subdivision (b), if income is  
24 required to be reported under this article, the statement shall contain  
25 all of the following:

26 (1) The name and address of each source of income aggregating  
27 one thousand dollars (\$1,000) or more in value, or fifty dollars  
28 (\$50) or more in value if the income was a gift, and a general  
29 description of the business activity, if any, of each source.  
30 ~~However, if the source of income is a business entity in which the~~  
31 ~~filer has a financial interest pursuant to subdivision (d) of Section~~  
32 ~~87103, the filer shall provide a thorough and detailed description~~  
33 ~~of the business entity’s activities, based on criteria established by~~  
34 ~~the Commission.~~

35 (2) A statement indicating which of the following represents  
36 the aggregate value of income from each source, or in the case of  
37 a loan, the highest amount owed to each source:

38 (A) At least one thousand dollars (\$1,000) but not greater than  
39 ten thousand dollars (\$10,000).

1 (B) Greater than ten thousand dollars (\$10,000) but not greater  
2 than one hundred thousand dollars (\$100,000).

3 (C) Greater than one hundred thousand dollars (\$100,000) but  
4 not greater than two hundred fifty thousand dollars (\$250,000).

5 (D) Greater than two hundred fifty thousand dollars (\$250,000)  
6 but not greater than five hundred thousand dollars (\$500,000).

7 (E) Greater than five hundred thousand dollars (\$500,000).

8 (3) A description of the consideration, if any, for which the  
9 income was received.

10 (4) In the case of a gift, the amount and the date on which the  
11 gift was received.

12 (5) In the case of a loan, the annual interest rate, the security,  
13 if any, given for the loan, and the term of the loan.

14 (b) When the filer's pro rata share of income to a business entity,  
15 including income to a sole proprietorship, is required to be reported  
16 under this article, the statement shall contain the following:

17 (1) The name, address, and a thorough and detailed description  
18 of the business activity of the business ~~entity~~. *entity based on*  
19 *criteria established by the Commission.*

20 (2) The name of every person from whom the business entity  
21 received payments if the filer's pro rata share of gross receipts  
22 from that person was equal to or greater than ten thousand dollars  
23 (\$10,000) during a calendar year.

24 (c) When a payment, including an advance or reimbursement,  
25 for travel is required to be reported pursuant to this section, it may  
26 be reported on a separate travel reimbursement schedule ~~which~~,  
27 *which* shall be included in the filer's statement of economic  
28 interest. A filer who chooses not to use the travel schedule shall  
29 disclose payments for travel as a gift, unless it is clear from all  
30 surrounding circumstances that the services provided were equal  
31 to or greater in value than the payments for the travel, in which  
32 case the travel may be reported as income.

33 ~~SEC. 7.~~

34 *SEC. 8.* Section 87211 is added to the Government Code, to  
35 read:

36 87211. (a) A public official who holds an office specified in  
37 Section 87200 shall disclose on his or her statement of economic  
38 interests each governmental decision for which a financial interest  
39 resulted in the public official's disqualification from making,  
40 participating in making, or in any way attempting to use his or her

1 official position to influence that governmental decision pursuant  
2 to Section 87100 or, for a Member of the Legislature, Section  
3 87102.5. The disclosure shall identify the governmental decision,  
4 the date that the governmental decision was made or considered,  
5 the financial interest that created the conflict of interests, and any  
6 other relevant information that the Commission deems appropriate.

7 (b) The disclosures required by this section are in addition to  
8 any other required disclosures, including, but not limited to, the  
9 requirements of Section 87105.

10 ~~SEC. 8.~~

11 *SEC. 9.* No reimbursement is required by this act pursuant to  
12 Section 6 of Article XIII B of the California Constitution because  
13 the only costs that may be incurred by a local agency or school  
14 district will be incurred because this act creates a new crime or  
15 infraction, eliminates a crime or infraction, or changes the penalty  
16 for a crime or infraction, within the meaning of Section 17556 of  
17 the Government Code, or changes the definition of a crime within  
18 the meaning of Section 6 of Article XIII B of the California  
19 Constitution.

20 ~~SEC. 9.~~

21 *SEC. 10.* The Legislature finds and declares that this bill  
22 furthers the purposes of the Political Reform Act of 1974 within  
23 the meaning of subdivision (a) of Section 81012 of the Government  
24 Code.

AMENDED IN ASSEMBLY MAY 21, 2015

AMENDED IN ASSEMBLY APRIL 14, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 700**

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**Introduced by Assembly Members Gomez and Levine**

February 25, 2015

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An act to amend Section 84511 of the Government Code, relating to the Political Reform Act of 1974, *and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 700, as amended, Gomez. Political Reform Act of 1974: advertisement disclosures.

Existing law, the Political Reform Act of 1974, provides for the comprehensive regulation of campaign financing, including requiring the reporting of campaign contributions and expenditures and imposing other reporting and recordkeeping requirements on campaign committees. Existing law additionally imposes a disclosure statement requirement with respect to advertisements supporting or opposing a candidate or ballot measure paid for by a committee that makes an expenditure of \$5,000 or more.

This bill would require that if the advertisement is a television or video advertisement, the disclosure statement shall be shown continuously.

This bill would also state the intent of the Legislature to enact legislation that would implement a California Disclose Act.

Because a violation of the act is punishable as a misdemeanor, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a 2/3 vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

*This bill would declare that it is to take effect immediately as an urgency statute.*

Vote: 2/3. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. It is the intent of the Legislature to enact  
 2 legislation that would implement a California Disclose Act to  
 3 ensure that advertisements that seek to persuade voters to cast a  
 4 vote in favor or against ballot measures do not mislead voters as  
 5 to who is funding the campaign that paid for the advertisement.

6 SEC. 2. Section 84511 of the Government Code is amended  
 7 to read:

8 84511. (a) This section applies to a committee that does either  
 9 of the following:

10 (1) Makes an expenditure of five thousand dollars (\$5,000) or  
 11 more to an individual for his or her appearance in an advertisement  
 12 that supports or opposes the qualification, passage, or defeat of a  
 13 ballot measure.

14 (2) Makes an expenditure of any amount to an individual for  
 15 his or her appearance in an advertisement that supports or opposes  
 16 the qualification, passage, or defeat of a ballot measure and that  
 17 states or suggests that the individual is a member of an occupation  
 18 that requires licensure, certification, or other specialized,  
 19 documented training as a prerequisite to engage in that occupation.

20 (b) A committee described in subdivision (a) shall file, within  
 21 10 days of the expenditure, a report that includes all of the  
 22 following:

1 (1) An identification of the measure that is the subject of the  
2 advertisement.

3 (2) The date of the expenditure.

4 (3) The amount of the expenditure.

5 (4) The name of the recipient of the expenditure.

6 (5) For a committee described in paragraph (2) of subdivision  
7 (a), the occupation of the recipient of the expenditure.

8 (c) An advertisement paid for by a committee described in  
9 paragraph (1) of subdivision (a) shall include a disclosure statement  
10 stating “(spokesperson’s name) is being paid by this campaign or  
11 its donors” in highly visible roman font shown continuously if the  
12 advertisement consists of printed or televised material, or spoken  
13 in a clearly audible format if the advertisement is a radio broadcast  
14 or telephonic message. If the advertisement is a television or video  
15 advertisement, the statement shall be shown continuously.

16 (d) (1) An advertisement paid for by a committee described in  
17 paragraph (2) of subdivision (a) shall include a disclosure statement  
18 stating “Persons portraying members of an occupation in this  
19 advertisement are compensated spokespersons not necessarily  
20 employed in those occupations” in highly visible roman font shown  
21 continuously if the advertisement consists of printed or televised  
22 material, or spoken in a clearly audible format if the advertisement  
23 is a radio broadcast or telephonic message.

24 (2) A committee may omit the disclosure statement required by  
25 this subdivision if all of the following are satisfied with respect to  
26 each individual identified in the report filed pursuant to subdivision  
27 (b) for that advertisement:

28 (A) The occupation identified in the report is substantially  
29 similar to the occupation portrayed in the advertisement.

30 (B) The committee maintains credible documentation of the  
31 appropriate license, certification, or other training as evidence that  
32 the individual may engage in the occupation identified in the report  
33 and portrayed in the advertisement and makes that documentation  
34 immediately available to the Commission upon request.

35 SEC. 3. No reimbursement is required by this act pursuant to  
36 Section 6 of Article XIII B of the California Constitution because  
37 the only costs that may be incurred by a local agency or school  
38 district will be incurred because this act creates a new crime or  
39 infraction, eliminates a crime or infraction, or changes the penalty  
40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within  
2 the meaning of Section 6 of Article XIII B of the California  
3 Constitution.

4 SEC. 4. The Legislature finds and declares that this bill furthers  
5 the purposes of the Political Reform Act of 1974 within the  
6 meaning of subdivision (a) of Section 81012 of the Government  
7 Code.

8 SEC. 5. *This act is an urgency statute necessary for the*  
9 *immediate preservation of the public peace, health, or safety within*  
10 *the meaning of Article IV of the Constitution and shall go into*  
11 *immediate effect. The facts constituting the necessity are:*

12 *In order to protect the interests of Californians who are*  
13 *empowered with the right to vote, it is appropriate that they be*  
14 *duly informed and that their constitutional right to instruct their*  
15 *representative be protected. This purpose is best served by an*  
16 *informed electorate and an informed press. The need for greater*  
17 *transparency of campaign contributions and advertisement*  
18 *disclosures is vital to the interests of the State such that this act*  
19 *must take effect immediately.*

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1083**

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**Introduced by Assembly Member Eggman**

February 27, 2015

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An act to ~~amend Section 83123.5~~ *add and repeal Section 83123.6* of the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

AB 1083, as amended, Eggman. Political Reform Act of 1974: local ~~campaign reform~~. *enforcement.*

~~The Political Reform Act of 1974 establishes the Fair Political Practices Commission (Commission), which has the primary responsibility for the impartial, effective administration and implementation of the act. The act authorizes,~~*Existing law authorizes the Fair Political Practices Commission, upon mutual agreement between the Commission and the Board of Supervisors of the County of San Bernardino (board), the Commission to assume Bernardino, to have primary responsibility for the impartial, effective administration, implementation, and enforcement of a local campaign finance reform ordinance passed by the board. Under the act, the Commission may be the civil prosecutor responsible for civil enforcement of that local campaign finance reform ordinance.* *of the County of San Bernardino, as specified.*

~~This bill would make technical, nonsubstantive changes to this provision of law.~~

*This bill would authorize the Commission and the City Council of the City of Stockton to also enter into such an agreement, as specified. The bill would require, if an agreement is entered into, that the Commission*

report specified information to the Legislature regarding the performance of that agreement on or before January 1, 2019. The bill would repeal its provisions on January 1, 2020.

This bill would make legislative findings and declarations as to the necessity of a special statute for the City of Stockton.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a <sup>2</sup>/<sub>3</sub> vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote: ~~majority~~<sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: ~~no~~-yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 83123.6 is added to the Government Code,  
2 to read:

3 83123.6. (a) Upon mutual agreement between the Commission  
4 and the City Council of the City of Stockton, the Commission is  
5 authorized to assume primary responsibility for the impartial,  
6 effective administration, implementation, and enforcement of a  
7 local campaign finance reform ordinance passed by the City  
8 Council of the City of Stockton. The Commission is authorized to  
9 be the civil prosecutor responsible for the civil enforcement of that  
10 local campaign finance reform ordinance in accordance with this  
11 title. As the civil prosecutor of the City of Stockton’s local  
12 campaign finance reform ordinance, the Commission may do both  
13 of the following:

14 (1) Investigate possible violations of the local campaign finance  
15 reform ordinance.

16 (2) Bring administrative actions in accordance with this title  
17 and Chapter 5 (commencing with Section 11500) of Part 1 of  
18 Division 3 of Title 2.

19 (b) Any local campaign finance reform ordinance of the City  
20 of Stockton enforced by the Commission pursuant to this section  
21 shall comply with this title.

22 (c) The City Council of the City of Stockton shall consult with  
23 the Commission before adopting and amending any local campaign  
24 finance reform ordinance that is subsequently enforced by the  
25 Commission pursuant to this section.

1 (d) (1) *The City Council of the City of Stockton and the*  
2 *Commission may enter into any agreements necessary and*  
3 *appropriate to carry out the provisions of this section, including*  
4 *agreements pertaining to any necessary reimbursement of state*  
5 *costs with city funds for costs incurred by the Commission in*  
6 *administering, implementing, or enforcing a local campaign*  
7 *finance reform ordinance pursuant to this section.*

8 (2) *An agreement entered into pursuant to this subdivision shall*  
9 *not contain any form of a cancellation fee, a liquidated damages*  
10 *provision, or other financial disincentive to the exercise of the*  
11 *right to terminate the agreement pursuant to subdivision (e), except*  
12 *that the Commission may require the City Council of the City of*  
13 *Stockton to pay the Commission for services rendered and any*  
14 *other expenditures reasonably made by the Commission in*  
15 *anticipation of services to be rendered pursuant to the agreement*  
16 *if the City Council of the City of Stockton terminates the agreement.*

17 (e) *The City Council of the City of Stockton or the Commission*  
18 *may, at any time, by ordinance or resolution, terminate any*  
19 *agreement made pursuant to this section for the Commission to*  
20 *administer, implement, or enforce a local campaign finance reform*  
21 *ordinance or any provision thereof.*

22 (f) *If an agreement is entered into pursuant to this section, the*  
23 *Commission shall report to the Legislature regarding the*  
24 *performance of that agreement on or before January 1, 2019, and*  
25 *shall submit that report in compliance with Section 9795. The*  
26 *Commission shall develop the report in consultation with the City*  
27 *Council of the City of Stockton. The report shall include, but not*  
28 *be limited to, all of the following:*

29 (1) *The status of the agreement.*

30 (2) *The estimated annual cost savings, if any, for the City of*  
31 *Stockton.*

32 (3) *A summary of relevant annual performance metrics,*  
33 *including measures of utilization, enforcement, and customer*  
34 *satisfaction.*

35 (4) *Public comments submitted to the Commission or the City*  
36 *of Stockton relative to the operation of the agreement.*

37 (5) *Legislative recommendations.*

38 (g) *This section shall remain in effect only until January 1, 2020,*  
39 *and as of that date is repealed, unless a later enacted statute, that*  
40 *is enacted before January 1, 2020, deletes or extends that date.*

1     *SEC. 2. The Legislature finds and declares that a special law*  
 2 *is necessary and that a general law cannot be made applicable*  
 3 *within the meaning of Section 16 of Article IV of the California*  
 4 *Constitution because of the necessity to avoid an appearance of*  
 5 *corruption in the City of Stockton’s electoral process. The proposed*  
 6 *local campaign finance reform ordinance is intended to make it*  
 7 *more difficult for candidates and influential individuals and entities*  
 8 *to engage in quid pro quo corruption, make the financing of*  
 9 *campaigns for elective city offices more transparent, and to make*  
 10 *more information, especially financial information, regarding*  
 11 *candidates and their supporters available to voters. Enforcement*  
 12 *of the local campaign finance reform ordinance by the Commission*  
 13 *is needed to ensure the integrity of the ordinance.*

14     *SEC. 3. The Legislature finds and declares that this bill furthers*  
 15 *the purposes of the Political Reform Act of 1974 within the meaning*  
 16 *of subdivision (a) of Section 81012 of the Government Code.*

17     ~~SECTION 1. Section 83123.5 of the Government Code is~~  
 18 ~~amended to read:~~

19     ~~83123.5. (a) Upon mutual agreement between the Commission~~  
 20 ~~and the Board of Supervisors of the County of San Bernardino,~~  
 21 ~~the Commission may assume primary responsibility for the~~  
 22 ~~impartial, effective administration, implementation, and~~  
 23 ~~enforcement of a local campaign finance reform ordinance passed~~  
 24 ~~by the Board of Supervisors of the County of San Bernardino. The~~  
 25 ~~Commission may be the civil prosecutor responsible for the civil~~  
 26 ~~enforcement of that local campaign finance reform ordinance in~~  
 27 ~~accordance with this title. As the civil prosecutor of the County~~  
 28 ~~of San Bernardino’s local campaign finance reform ordinance, the~~  
 29 ~~Commission may do both of the following:~~

30     ~~(1) Investigate possible violations of the local campaign finance~~  
 31 ~~reform ordinance.~~

32     ~~(2) Bring administrative actions in accordance with this title~~  
 33 ~~and Chapter 5 (commencing with Section 11500) of Part 1 of~~  
 34 ~~Division 3 of Title 2.~~

35     ~~(b) Any local campaign finance reform ordinance of the County~~  
 36 ~~of San Bernardino enforced by the Commission pursuant to this~~  
 37 ~~section shall comply with this title.~~

38     ~~(c) The Board of Supervisors of the County of San Bernardino~~  
 39 ~~shall consult with the Commission prior to adopting and amending~~

1 any local campaign finance reform ordinance that is subsequently  
2 enforced by the Commission pursuant to this section.

3 ~~(d) (1) The Board of Supervisors of the County of San~~  
4 ~~Bernardino and the Commission may enter into any agreements~~  
5 ~~necessary and appropriate to carry out the provisions of this section,~~  
6 ~~including agreements pertaining to any necessary reimbursement~~  
7 ~~of state costs with county funds for costs incurred by the~~  
8 ~~Commission in administering, implementing, or enforcing a local~~  
9 ~~campaign finance reform ordinance pursuant to this section.~~

10 ~~(2) An agreement entered into pursuant to this subdivision shall~~  
11 ~~not contain any form of a cancellation fee, a liquidated damages~~  
12 ~~provision, or other financial disincentive to the exercise of the~~  
13 ~~right to terminate the agreement pursuant to subdivision (e), except~~  
14 ~~that the Commission may require the Board of Supervisors of the~~  
15 ~~County of San Bernardino to pay the Commission for services~~  
16 ~~rendered and any other expenditures reasonably made by the~~  
17 ~~Commission in anticipation of services to be rendered pursuant to~~  
18 ~~the agreement in the event that the Board of Supervisors of the~~  
19 ~~County of San Bernardino terminates the agreement.~~

20 ~~(e) The Board of Supervisors of the County of San Bernardino~~  
21 ~~or the Commission may, at any time, by ordinance or resolution,~~  
22 ~~terminate any agreement made pursuant to this section for the~~  
23 ~~Commission to administer, implement, or enforce a local campaign~~  
24 ~~finance reform ordinance or any provision thereof.~~

25 ~~(f) If an agreement is entered into pursuant to this section, the~~  
26 ~~Commission shall report to the Legislature regarding the~~  
27 ~~performance of that agreement on or before January 1, 2017, and~~  
28 ~~shall submit that report in compliance with Section 9795. The~~  
29 ~~Commission shall develop the report in consultation with the~~  
30 ~~County of San Bernardino. The report shall include, but not be~~  
31 ~~limited to, all of the following:~~

32 ~~(1) The status of the agreement.~~

33 ~~(2) The estimated annual cost savings, if any, for the County of~~  
34 ~~San Bernardino.~~

35 ~~(3) A summary of relevant annual performance metrics,~~  
36 ~~including measures of utilization, enforcement, and customer~~  
37 ~~satisfaction.~~

38 ~~(4) Any public comments submitted to the Commission or the~~  
39 ~~County of San Bernardino relative to the operation of the~~  
40 ~~agreement.~~

- 1     ~~(5) Any legislative recommendations.~~
- 2     ~~(g) This section shall remain in effect only until January 1, 2018,~~
- 3     ~~and as of that date is repealed, unless a later enacted statute, that~~
- 4     ~~is enacted before January 1, 2018, deletes or extends that date.~~

AMENDED IN ASSEMBLY MAY 19, 2015

AMENDED IN ASSEMBLY APRIL 7, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1200**

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**Introduced by Assembly Member Gordon**

February 27, 2015

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An act to amend Section 82002 of, *and to add Section 86205.5 to*, the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

AB 1200, as amended, Gordon. Political Reform Act of 1974: lobbying: procurement contracts.

Existing provisions of the Political Reform Act of 1974 regulate the activities of lobbyists, lobbying firms, and lobbyist employers, as defined, in connection with attempts to influence legislative and administrative action by legislative and other state officials, including requirements that lobbyists, lobbying firms, and lobbyist employers register and file periodic reports with the Secretary of State. *The act also prohibits a lobbyist or lobbying firm from engaging in certain activities, including, among others, accepting any payment that is contingent upon the defeat, enactment, or outcome of any proposed legislative or administrative action.* For purposes of these provisions, “administrative action” is defined to include the proposal, drafting, development, consideration, amendment, enactment, or defeat by any state agency of any rule, regulation, or other action in any ratemaking proceeding or any quasi-legislative proceeding.

This bill would additionally define the term “administrative action” to include governmental procurement, which would be defined to include

various actions regarding ~~procurement contracts~~, a state procurement contract for which the total estimated cost exceeds \$250,000, thereby making the above-described lobbying requirements applicable to actions that attempt to influence governmental procurement. *The bill would also exclude certain actions from the definition of “government procurement,” including submitting a bid, testifying at a public hearing relating to a procurement contract, or any activity undertaken by bona fide salesperson, as defined.*

*This bill would also authorize a lobbyist to be compensated on a commission basis for lobbying activities related to influencing administrative action relating to governmental procurement, as specified.*

Because a willful violation of the act’s provisions is punishable as a misdemeanor, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act’s purposes upon a  $\frac{2}{3}$  vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 82002 of the Government Code is
- 2 amended to read:
- 3 82002. (a) “Administrative action” means any of the following:
- 4 (1) The proposal, drafting, development, consideration,
- 5 amendment, enactment, or defeat by any state agency of any rule,
- 6 regulation, or other action in any ratemaking proceeding or any
- 7 quasi-legislative proceeding, which shall include any proceeding
- 8 governed by Chapter 3.5 (commencing with Section 11340) of
- 9 Part 1 of Division 3 of Title 2.

1 (2) With regard only to placement agents, the decision by any  
2 state agency to enter into a contract to invest state public retirement  
3 system assets on behalf of a state public retirement system.

4 (3) Governmental procurement.

5 (b) “Ratemaking proceeding” means, for purposes of a  
6 proceeding before the Public Utilities Commission, any proceeding  
7 in which it is reasonably foreseeable that a rate will be established,  
8 including, but not limited to, general rate cases, performance-based  
9 ratemaking, and other ratesetting mechanisms.

10 (c) “Quasi-legislative proceeding” means, for purposes of a  
11 proceeding before the Public Utilities Commission, any proceeding  
12 that involves consideration of the establishment of a policy that  
13 will apply generally to a group or class of persons, including, but  
14 not limited to, rulemakings and investigations that may establish  
15 rules affecting an entire industry.

16 (d) (1) “Governmental procurement” means any of the  
17 following *with respect to a state procurement contract for which*  
18 *the total estimated cost exceeds two hundred fifty thousand dollars*  
19 *(\$250,000):*

20 (1)

21 (A) Preparing the terms, specifications, bid documents, request  
22 for proposals, or evaluation criteria for *a the* procurement contract.

23 (2)

24 (B) Soliciting for *a the* procurement contract.

25 (3)

26 (C) Evaluating *a the* procurement contract.

27 (4)

28 (D) Awarding, approving, denying, or disapproving *a the*  
29 procurement contract.

30 (5)

31 (E) Approving or denying an assignment, amendment, other  
32 than an amendment authorized and payable under the terms of *a*  
33 *the* procurement contract as the procurement contract was finally  
34 awarded or approved, renewal, or extension of *a the* procurement  
35 contract, or any other material change in *a the* procurement contract  
36 resulting in financial benefit to the offeror.

37 (2) “Governmental procurement” *does not include any of the*  
38 *following with respect to a state procurement contract for which*  
39 *the total estimated cost exceeds two hundred fifty thousand dollars*  
40 *(\$250,000):*

1 (A) Submitting a bid on the state procurement contract.  
2 (B) Testifying at a public hearing regarding the state  
3 procurement contract.

4 (C) Any activity, including those described in paragraph (1),  
5 undertaken by a bona fide salesperson of an article of procurement.  
6 For purposes of this subparagraph, a “bona fide salesperson” is  
7 an individual who satisfies each of the following:

8 (i) The primary purpose of the individual’s employment is to  
9 cause or promote the sale of, or to influence or induce another to  
10 make a purchase of, an article of procurement.

11 (ii) The primary purpose of the individual’s employment is not  
12 to influence the actions of a public officer or state agency in  
13 regards to selecting vendors to supply articles of procurement  
14 under a state procurement contract.

15 (iii) The individual does not engage in any other activity that  
16 would qualify him or her as a lobbyist.

17 SEC. 2. Section 86205.5 is added to the Government Code, to  
18 read:

19 86205.5. Notwithstanding Section 86205, a lobbyist may be  
20 compensated on a commission basis only with respect to lobbying  
21 activities related to influencing administrative action for  
22 governmental procurement, as defined in subdivision (d) of Section  
23 82002.

24 ~~SEC. 2.~~

25 SEC. 3. No reimbursement is required by this act pursuant to  
26 Section 6 of Article XIII B of the California Constitution because  
27 the only costs that may be incurred by a local agency or school  
28 district will be incurred because this act creates a new crime or  
29 infraction, eliminates a crime or infraction, or changes the penalty  
30 for a crime or infraction, within the meaning of Section 17556 of  
31 the Government Code, or changes the definition of a crime within  
32 the meaning of Section 6 of Article XIII B of the California  
33 Constitution.

34 ~~SEC. 3.~~

35 SEC. 4. The Legislature finds and declares that this bill furthers  
36 the purposes of the Political Reform Act of 1974 within the  
37 meaning of subdivision (a) of Section 81012 of the Government  
38 Code.

O

**Introduced by Senator Mendoza**

February 23, 2015

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An act to amend, repeal, and add Section 1091.5 of, and to add Section 1091.7 to, the Government Code, relating to public officers.

LEGISLATIVE COUNSEL'S DIGEST

SB 330, as amended, Mendoza. Public officers: contracts: financial interest.

(1) Existing law prohibits Members of the Legislature, and state, county, district, judicial district, and city officers or employees from being financially interested in a contract, as specified, made by them in their official capacity or by any body or board of which they are members, subject to specified exceptions.

This bill would, on and after January 1, 2017, ~~and notwithstanding any other law,~~ expand these prohibitions to deem that a public officer *officer, as specified*, who is an elected member of any state or local body, board, or commission has a prohibited financial interest in a contract pursuant to these provisions, if that public officer's spouse, child, parent, sibling, or the spouse of the child, parent, or sibling has a financial interest in any contract made by that public officer in his or her official capacity, or by any body, board, or commission of which that public officer is a member.

(2) Existing law imposes a criminal penalty for every officer or person who willfully violates the prohibitions against making or being financially interested in contracts, as specified.

By expanding these prohibitions, this bill would create a new crime, and thus, would impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1091.5 of the Government Code is  
2 amended to read:

3 1091.5. (a) An officer or employee shall not be deemed to be  
4 interested in a contract if his or her interest is any of the following:

5 (1) The ownership of less than 3 percent of the shares of a  
6 corporation for profit, provided that the total annual income to him  
7 or her from dividends, including the value of stock dividends, from  
8 the corporation does not exceed 5 percent of his or her total annual  
9 income, and any other payments made to him or her by the  
10 corporation do not exceed 5 percent of his or her total annual  
11 income.

12 (2) That of an officer in being reimbursed for his or her actual  
13 and necessary expenses incurred in the performance of official  
14 duties.

15 (3) That of a recipient of public services generally provided by  
16 the public body or board of which he or she is a member, on the  
17 same terms and conditions as if he or she were not a member of  
18 the body or board.

19 (4) That of a landlord or tenant of the contracting party if the  
20 contracting party is the federal government or any federal  
21 department or agency, this state or an adjoining state, any  
22 department or agency of this state or an adjoining state, any county  
23 or city of this state or an adjoining state, or any public corporation  
24 or special, judicial, or other public district of this state or an  
25 adjoining state unless the subject matter of the contract is the  
26 property in which the officer or employee has the interest as  
27 landlord or tenant in which event his or her interest shall be deemed  
28 a remote interest within the meaning of, and subject to, the  
29 provisions of Section 1091.

1 (5) That of a tenant in a public housing authority created  
2 pursuant to Part 2 (commencing with Section 34200) of Division  
3 24 of the Health and Safety Code in which he or she serves as a  
4 member of the board of commissioners of the authority or of a  
5 community development commission created pursuant to Part 1.7  
6 (commencing with Section 34100) of Division 24 of the Health  
7 and Safety Code.

8 (6) That of a spouse of an officer or employee of a public agency  
9 in his or her spouse's employment or officeholding if his or her  
10 spouse's employment or officeholding has existed for at least one  
11 year prior to his or her election or appointment.

12 (7) That of a nonsalaried member of a nonprofit corporation,  
13 provided that this interest is disclosed to the body or board at the  
14 time of the first consideration of the contract, and provided further  
15 that this interest is noted in its official records.

16 (8) That of a noncompensated officer of a nonprofit, tax-exempt  
17 corporation, which, as one of its primary purposes, supports the  
18 functions of the body or board or to which the body or board has  
19 a legal obligation to give particular consideration, and provided  
20 further that this interest is noted in its official records.

21 For purposes of this paragraph, an officer is "noncompensated"  
22 even though he or she receives reimbursement from the nonprofit,  
23 tax-exempt corporation for necessary travel and other actual  
24 expenses incurred in performing the duties of his or her office.

25 (9) That of a person receiving salary, per diem, or reimbursement  
26 for expenses from a government entity, unless the contract directly  
27 involves the department of the government entity that employs the  
28 officer or employee, provided that the interest is disclosed to the  
29 body or board at the time of consideration of the contract, and  
30 provided further that the interest is noted in its official record.

31 (10) That of an attorney of the contracting party or that of an  
32 owner, officer, employee, or agent of a firm which renders, or has  
33 rendered, service to the contracting party in the capacity of  
34 stockbroker, insurance agent, insurance broker, real estate agent,  
35 or real estate broker, if these individuals have not received and  
36 will not receive remuneration, consideration, or a commission as  
37 a result of the contract and if these individuals have an ownership  
38 interest of less than 10 percent in the law practice or firm, stock  
39 brokerage firm, insurance firm, or real estate firm.

1 (11) Except as provided in subdivision (b), that of an officer or  
2 employee of, or a person having less than a 10-percent ownership  
3 interest in, a bank, bank holding company, or savings and loan  
4 association with which a party to the contract has a relationship  
5 of borrower, depositor, debtor, or creditor.

6 (12) That of (A) a bona fide nonprofit, tax-exempt corporation  
7 having among its primary purposes the conservation, preservation,  
8 or restoration of park and natural lands or historical resources for  
9 public benefit, which corporation enters into an agreement with a  
10 public agency to provide services related to park and natural lands  
11 or historical resources and which services are found by the public  
12 agency, prior to entering into the agreement or as part of the  
13 agreement, to be necessary to the public interest to plan for,  
14 acquire, protect, conserve, improve, or restore park and natural  
15 lands or historical resources for public purposes and (B) any officer,  
16 director, or employee acting pursuant to the agreement on behalf  
17 of the nonprofit corporation. For purposes of this paragraph,  
18 “agreement” includes contracts and grants, and “park,” “natural  
19 lands,” and “historical resources” shall have the meanings set forth  
20 in subdivisions (d), (g), and (i) of Section 5902 of the Public  
21 Resources Code. Services to be provided to the public agency may  
22 include those studies and related services, acquisitions of property  
23 and property interests, and any activities related to those studies  
24 and acquisitions necessary for the conservation, preservation,  
25 improvement, or restoration of park and natural lands or historical  
26 resources.

27 (13) That of an officer, employee, or member of the Board of  
28 Directors of the California Housing Finance Agency with respect  
29 to a loan product or programs if the officer, employee, or member  
30 participated in the planning, discussions, development, or approval  
31 of the loan product or program and both of the following two  
32 conditions exist:

33 (A) The loan product or program is or may be originated by any  
34 lender approved by the agency.

35 (B) The loan product or program is generally available to  
36 qualifying borrowers on terms and conditions that are substantially  
37 the same for all qualifying borrowers at the time the loan is made.

38 (14) That of a party to a contract for public services entered into  
39 by a special district that requires a person to be a landowner or a  
40 representative of a landowner to serve on the board of which the

1 officer or employee is a member, on the same terms and conditions  
2 as if he or she were not a member of the body or board. For  
3 purposes of this paragraph, “public services” includes the powers  
4 and purposes generally provided pursuant to provisions of the  
5 Water Code relating to irrigation districts, California water districts,  
6 water storage districts, or reclamation districts.

7 (b) An officer or employee shall not be deemed to be interested  
8 in a contract made pursuant to competitive bidding under a  
9 procedure established by law if his or her sole interest is that of  
10 an officer, director, or employee of a bank or savings and loan  
11 association with which a party to the contract has the relationship  
12 of borrower or depositor, debtor or creditor.

13 (c) This section shall be repealed on January 1, 2017.

14 SEC. 2. Section 1091.5 is added to the Government Code, to  
15 read:

16 1091.5. (a) An officer or employee shall not be deemed to be  
17 interested in a contract if his or her interest is any of the following:

18 (1) The ownership of less than 3 percent of the shares of a  
19 corporation for profit, provided that the total annual income to him  
20 or her from dividends, including the value of stock dividends, from  
21 the corporation does not exceed 5 percent of his or her total annual  
22 income, and any other payments made to him or her by the  
23 corporation do not exceed 5 percent of his or her total annual  
24 income.

25 (2) That of an officer in being reimbursed for his or her actual  
26 and necessary expenses incurred in the performance of official  
27 duties.

28 (3) That of a recipient of public services generally provided by  
29 the public body or board of which he or she is a member, on the  
30 same terms and conditions as if he or she were not a member of  
31 the body or board.

32 (4) That of a landlord or tenant of the contracting party if the  
33 contracting party is the federal government or any federal  
34 department or agency, this state or an adjoining state, any  
35 department or agency of this state or an adjoining state, any county  
36 or city of this state or an adjoining state, or any public corporation  
37 or special, judicial, or other public district of this state or an  
38 adjoining state unless the subject matter of the contract is the  
39 property in which the officer or employee has the interest as  
40 landlord or tenant in which event his or her interest shall be deemed

1 a remote interest within the meaning of, and subject to, the  
2 provisions of Section 1091.

3 (5) That of a tenant in a public housing authority created  
4 pursuant to Part 2 (commencing with Section 34200) of Division  
5 24 of the Health and Safety Code in which he or she serves as a  
6 member of the board of commissioners of the authority or of a  
7 community development commission created pursuant to Part 1.7  
8 (commencing with Section 34100) of Division 24 of the Health  
9 and Safety Code.

10 (6) Except as provided in Section 1091.7, that of a spouse of an  
11 officer or employee of a public agency in his or her spouse's  
12 employment or officeholding if his or her spouse's employment  
13 or officeholding has existed for at least one year prior to his or her  
14 election or appointment.

15 (7) That of a nonsalaried member of a nonprofit corporation,  
16 provided that this interest is disclosed to the body or board at the  
17 time of the first consideration of the contract, and provided further  
18 that this interest is noted in its official records.

19 (8) That of a noncompensated officer of a nonprofit, tax-exempt  
20 corporation, which, as one of its primary purposes, supports the  
21 functions of the body or board or to which the body or board has  
22 a legal obligation to give particular consideration, and provided  
23 further that this interest is noted in its official records.

24 For purposes of this paragraph, an officer is "noncompensated"  
25 even though he or she receives reimbursement from the nonprofit,  
26 tax-exempt corporation for necessary travel and other actual  
27 expenses incurred in performing the duties of his or her office.

28 (9) That of a person receiving salary, per diem, or reimbursement  
29 for expenses from a government entity, unless the contract directly  
30 involves the department of the government entity that employs the  
31 officer or employee, provided that the interest is disclosed to the  
32 body or board at the time of consideration of the contract, and  
33 provided further that the interest is noted in its official record.

34 (10) That of an attorney of the contracting party or that of an  
35 owner, officer, employee, or agent of a firm which renders, or has  
36 rendered, service to the contracting party in the capacity of  
37 stockbroker, insurance agent, insurance broker, real estate agent,  
38 or real estate broker, if these individuals have not received and  
39 will not receive remuneration, consideration, or a commission as  
40 a result of the contract and if these individuals have an ownership

1 interest of less than 10 percent in the law practice or firm, stock  
2 brokerage firm, insurance firm, or real estate firm.

3 (11) Except as provided in subdivision (b), that of an officer or  
4 employee of, or a person having less than a 10-percent ownership  
5 interest in, a bank, bank holding company, or savings and loan  
6 association with which a party to the contract has a relationship  
7 of borrower, depositor, debtor, or creditor.

8 (12) That of (A) a bona fide nonprofit, tax-exempt corporation  
9 having among its primary purposes the conservation, preservation,  
10 or restoration of park and natural lands or historical resources for  
11 public benefit, which corporation enters into an agreement with a  
12 public agency to provide services related to park and natural lands  
13 or historical resources and which services are found by the public  
14 agency, prior to entering into the agreement or as part of the  
15 agreement, to be necessary to the public interest to plan for,  
16 acquire, protect, conserve, improve, or restore park and natural  
17 lands or historical resources for public purposes and (B) any officer,  
18 director, or employee acting pursuant to the agreement on behalf  
19 of the nonprofit corporation. For purposes of this paragraph,  
20 “agreement” includes contracts and grants, and “park,” “natural  
21 lands,” and “historical resources” shall have the meanings set forth  
22 in subdivisions (d), (g), and (i) of Section 5902 of the Public  
23 Resources Code. Services to be provided to the public agency may  
24 include those studies and related services, acquisitions of property  
25 and property interests, and any activities related to those studies  
26 and acquisitions necessary for the conservation, preservation,  
27 improvement, or restoration of park and natural lands or historical  
28 resources.

29 (13) That of an officer, employee, or member of the Board of  
30 Directors of the California Housing Finance Agency with respect  
31 to a loan product or programs if the officer, employee, or member  
32 participated in the planning, discussions, development, or approval  
33 of the loan product or program and both of the following two  
34 conditions exist:

35 (A) The loan product or program is or may be originated by any  
36 lender approved by the agency.

37 (B) The loan product or program is generally available to  
38 qualifying borrowers on terms and conditions that are substantially  
39 the same for all qualifying borrowers at the time the loan is made.

1 (14) That of a party to a contract for public services entered into  
2 by a special district that requires a person to be a landowner or a  
3 representative of a landowner to serve on the board of which the  
4 officer or employee is a member, on the same terms and conditions  
5 as if he or she were not a member of the body or board. For  
6 purposes of this paragraph, “public services” includes the powers  
7 and purposes generally provided pursuant to provisions of the  
8 Water Code relating to irrigation districts, California water districts,  
9 water storage districts, or reclamation districts.

10 (b) An officer or employee shall not be deemed to be interested  
11 in a contract made pursuant to competitive bidding under a  
12 procedure established by law if his or her sole interest is that of  
13 an officer, director, or employee of a bank or savings and loan  
14 association with which a party to the contract has the relationship  
15 of borrower or depositor, debtor or creditor.

16 (c) This section shall become operative on January 1, 2017.

17 SEC. 3. Section 1091.7 is added to the Government Code, to  
18 read:

19 1091.7. (a) ~~Notwithstanding any other law, Subject to the~~  
20 *provisions of this article*, a public officer who is an elected member  
21 of any state or local body, board, or commission shall be deemed  
22 to have a financial interest in a contract pursuant to this article, if  
23 that public officer’s spouse, child, parent, sibling, or the spouse  
24 of the child, parent, or sibling has a financial interest in any contract  
25 made by that public officer in his or her official capacity, or by  
26 any body, board, or commission of which that public officer is a  
27 member.

28 (b) (1) The determination of a financial interest with respect to  
29 any person described in this section shall be made according to  
30 the same standards as those set forth in this article with respect to  
31 the public officer, as applicable.

32 (2) For purposes of determining a financial interest pursuant to  
33 this section, an individual lobbying on behalf of a contracting party  
34 shall be construed to be an agent of that contracting party.

35 (c) *For purposes of this section, only a member of the governing*  
36 *entity deemed to have a financial interest pursuant to subdivision*  
37 *(a) shall be subject to the prohibition and enforcement of this*  
38 *article.*

39 (e)

40 (d) This section shall become operative on January 1, 2017.

1     SEC. 4. No reimbursement is required by this act pursuant to  
2 Section 6 of Article XIII B of the California Constitution because  
3 the only costs that may be incurred by a local agency or school  
4 district will be incurred because this act creates a new crime or  
5 infraction, eliminates a crime or infraction, or changes the penalty  
6 for a crime or infraction, within the meaning of Section 17556 of  
7 the Government Code, or changes the definition of a crime within  
8 the meaning of Section 6 of Article XIII B of the California  
9 Constitution.

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AMENDED IN SENATE APRIL 30, 2015

AMENDED IN SENATE APRIL 22, 2015

AMENDED IN SENATE APRIL 6, 2015

**SENATE BILL**

**No. 704**

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**Introduced by Senator Gaines**

February 27, 2015

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An act to amend Section ~~1091.5~~ 1091 of the Government Code, relating to public officers.

LEGISLATIVE COUNSEL'S DIGEST

SB 704, as amended, Gaines. Public officers and employees: conflict of interest.

Existing law prohibits Members of the Legislature, state, county, district, judicial district, and city officers or employees from being financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Existing law identifies certain remote interests that are not subject to this prohibition and other situations in which an official is not deemed to be financially interested in a contract. Existing law makes a willful violation of this prohibition a crime.

This bill would ~~establish an additional situation in which an official is not financially interested in a contract as applied to~~ *include in the definition of "remote interest" the interest of a person who is an owner or partner of a firm serving on an advisory board or commission to the contracting agency, if the duties of the advisory board or commission do not include providing advice with respect to seeking or awarding contracts, and if the owner or partner recuses himself or herself from*

all participation in reviewing a project that results from a contract between the firm and the contracting agency.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1091 of the Government Code is amended  
2 to read:

3 1091. (a) An officer shall not be deemed to be interested in a  
4 contract entered into by a body or board of which the officer is a  
5 member within the meaning of this article if the officer has only  
6 a remote interest in the contract and if the fact of that interest is  
7 disclosed to the body or board of which the officer is a member  
8 and noted in its official records, and thereafter the body or board  
9 authorizes, approves, or ratifies the contract in good faith by a vote  
10 of its membership sufficient for the purpose without counting the  
11 vote or votes of the officer or member with the remote interest.

12 (b) As used in this article, “remote interest” means any of the  
13 following:

14 (1) That of an officer or employee of a nonprofit entity exempt  
15 from taxation pursuant to Section 501(c)(3) of the Internal Revenue  
16 Code (26 U.S.C. Sec. 501(c)(3)), pursuant to Section 501(c)(5) of  
17 the Internal Revenue Code (26 U.S.C. Sec. 501(c)(5)), or a  
18 nonprofit corporation, except as provided in paragraph (8) of  
19 subdivision (a) of Section 1091.5.

20 (2) That of an employee or agent of the contracting party, if the  
21 contracting party has 10 or more other employees and if the officer  
22 was an employee or agent of that contracting party for at least three  
23 years prior to the officer initially accepting his or her office and  
24 the officer owns less than 3 percent of the shares of stock of the  
25 contracting party; and the employee or agent is not an officer or  
26 director of the contracting party and did not directly participate in  
27 formulating the bid of the contracting party.

28 For purposes of this paragraph, time of employment with the  
29 contracting party by the officer shall be counted in computing the  
30 three-year period specified in this paragraph even though the  
31 contracting party has been converted from one form of business  
32 organization to a different form of business organization within  
33 three years of the initial taking of office by the officer. Time of

1 employment in that case shall be counted only if, after the transfer  
2 or change in organization, the real or ultimate ownership of the  
3 contracting party is the same or substantially similar to that which  
4 existed before the transfer or change in organization. For purposes  
5 of this paragraph, stockholders, bondholders, partners, or other  
6 persons holding an interest in the contracting party are regarded  
7 as having the “real or ultimate ownership” of the contracting party.

8 (3) That of an employee or agent of the contracting party, if all  
9 of the following conditions are met:

10 (A) The agency of which the person is an officer is a local public  
11 agency located in a county with a population of less than 4,000,000.

12 (B) The contract is competitively bid and is not for personal  
13 services.

14 (C) The employee or agent is not in a primary management  
15 capacity with the contracting party, is not an officer or director of  
16 the contracting party, and holds no ownership interest in the  
17 contracting party.

18 (D) The contracting party has 10 or more other employees.

19 (E) The employee or agent did not directly participate in  
20 formulating the bid of the contracting party.

21 (F) The contracting party is the lowest responsible bidder.

22 (4) That of a parent in the earnings of his or her minor child for  
23 personal services.

24 (5) That of a landlord or tenant of the contracting party.

25 (6) That of an attorney of the contracting party or that of an  
26 owner, officer, employee, or agent of a firm that renders, or has  
27 rendered, service to the contracting party in the capacity of  
28 stockbroker, insurance agent, insurance broker, real estate agent,  
29 or real estate broker, if these individuals have not received and  
30 will not receive remuneration, consideration, or a commission as  
31 a result of the contract and if these individuals have an ownership  
32 interest of 10 percent or more in the law practice or firm, stock  
33 brokerage firm, insurance firm, or real estate firm.

34 (7) That of a member of a nonprofit corporation formed under  
35 the Food and Agricultural Code or a nonprofit corporation formed  
36 under the Corporations Code for the sole purpose of engaging in  
37 the merchandising of agricultural products or the supplying of  
38 water.

39 (8) That of a supplier of goods or services when those goods or  
40 services have been supplied to the contracting party by the officer

1 for at least five years prior to his or her election or appointment  
2 to office.

3 (9) That of a person subject to the provisions of Section 1090  
4 in any contract or agreement entered into pursuant to the provisions  
5 of the California Land Conservation Act of 1965.

6 (10) Except as provided in subdivision (b) of Section 1091.5,  
7 that of a director of, or a person having an ownership interest of,  
8 10 percent or more in a bank, bank holding company, or savings  
9 and loan association with which a party to the contract has a  
10 relationship of borrower or depositor, debtor or creditor.

11 (11) That of an engineer, geologist, or architect employed by a  
12 consulting engineering or architectural firm. This paragraph applies  
13 only to an employee of a consulting firm who does not serve in a  
14 primary management capacity, and does not apply to an officer or  
15 director of a consulting firm.

16 (12) That of an elected officer otherwise subject to Section 1090,  
17 in any housing assistance payment contract entered into pursuant  
18 to Section 8 of the United States Housing Act of 1937 (42 U.S.C.  
19 Sec. 1437f) as amended, provided that the housing assistance  
20 payment contract was in existence before Section 1090 became  
21 applicable to the officer and will be renewed or extended only as  
22 to the existing tenant, or, in a jurisdiction in which the rental  
23 vacancy rate is less than 5 percent, as to new tenants in a unit  
24 previously under a Section 8 contract. This section applies to any  
25 person who became a public official on or after November 1, 1986.

26 (13) That of a person receiving salary, per diem, or  
27 reimbursement for expenses from a government entity.

28 (14) That of a person owning less than 3 percent of the shares  
29 of a contracting party that is a for-profit corporation, provided that  
30 the ownership of the shares derived from the person's employment  
31 with that corporation.

32 (15) That of a party to litigation involving the body or board of  
33 which the officer is a member in connection with an agreement in  
34 which all of the following apply:

35 (A) The agreement is entered into as part of a settlement of  
36 litigation in which the body or board is represented by legal  
37 counsel.

38 (B) After a review of the merits of the agreement and other  
39 relevant facts and circumstances, a court of competent jurisdiction  
40 finds that the agreement serves the public interest.

1 (C) The interested member has recused himself or herself from  
2 all participation, direct or indirect, in the making of the agreement  
3 on behalf of the body or board.

4 (16) That of a person who is an officer or employee of an  
5 investor-owned utility that is regulated by the Public Utilities  
6 Commission with respect to a contract between the investor-owned  
7 utility and a state, county, district, judicial district, or city body or  
8 board of which the person is a member, if the contract requires the  
9 investor-owned utility to provide energy efficiency rebates or other  
10 type of program to encourage energy efficiency that benefits the  
11 public when all of the following apply:

12 (A) The contract is funded by utility consumers pursuant to  
13 regulations of the Public Utilities Commission.

14 (B) The contract provides no individual benefit to the person  
15 that is not also provided to the public, and the investor-owned  
16 utility receives no direct financial profit from the contract.

17 (C) The person has recused himself or herself from all  
18 participation in making the contract on behalf of the state, county,  
19 district, judicial district, or city body or board of which he or she  
20 is a member.

21 (D) The contract implements a program authorized by the Public  
22 Utilities Commission.

23 *(17) That of an owner or partner of a firm serving on an*  
24 *advisory board or commission to the contracting agency if the*  
25 *duties of the advisory board or commission do not include*  
26 *providing advice with respect to seeking or awarding contracts*  
27 *and if the owner or partner recuses himself or herself from all*  
28 *participation in reviewing a project that results from a contract*  
29 *between the firm and the contracting agency.*

30 (c) This section is not applicable to any officer interested in a  
31 contract who influences or attempts to influence another member  
32 of the body or board of which he or she is a member to enter into  
33 the contract.

34 (d) The willful failure of an officer to disclose the fact of his or  
35 her interest in a contract pursuant to this section is punishable as  
36 provided in Section 1097. That violation does not void the contract  
37 unless the contracting party had knowledge of the fact of the remote  
38 interest of the officer at the time the contract was executed.

39 ~~SECTION 1. Section 1091.5 of the Government Code is~~  
40 ~~amended to read:~~

- 1     ~~1091.5.—(a) An officer or employee shall not be deemed to be~~  
2 ~~interested in a contract if his or her interest is any of the following:~~  
3     ~~(1) The ownership of less than 3 percent of the shares of a~~  
4 ~~corporation for profit, provided that the total annual income to him~~  
5 ~~or her from dividends, including the value of stock dividends, from~~  
6 ~~the corporation does not exceed 5 percent of his or her total annual~~  
7 ~~income, and any other payments made to him or her by the~~  
8 ~~corporation do not exceed 5 percent of his or her total annual~~  
9 ~~income.~~  
10     ~~(2) That of an officer in being reimbursed for his or her actual~~  
11 ~~and necessary expenses incurred in the performance of official~~  
12 ~~duties.~~  
13     ~~(3) That of a recipient of public services generally provided by~~  
14 ~~the public body or board of which he or she is a member, on the~~  
15 ~~same terms and conditions as if he or she were not a member of~~  
16 ~~the body or board.~~  
17     ~~(4) That of a landlord or tenant of the contracting party if the~~  
18 ~~contracting party is the federal government or any federal~~  
19 ~~department or agency, this state or an adjoining state, any~~  
20 ~~department or agency of this state or an adjoining state, any county~~  
21 ~~or city of this state or an adjoining state, or any public corporation~~  
22 ~~or special, judicial, or other public district of this state or an~~  
23 ~~adjoining state unless the subject matter of the contract is the~~  
24 ~~property in which the officer or employee has the interest as~~  
25 ~~landlord or tenant in which event his or her interest shall be deemed~~  
26 ~~a remote interest within the meaning of, and subject to, the~~  
27 ~~provisions of Section 1091.~~  
28     ~~(5) That of a tenant in a public housing authority created~~  
29 ~~pursuant to Part 2 (commencing with Section 34200) of Division~~  
30 ~~24 of the Health and Safety Code in which he or she serves as a~~  
31 ~~member of the board of commissioners of the authority or of a~~  
32 ~~community development commission created pursuant to Part 1.7~~  
33 ~~(commencing with Section 34100) of Division 24 of the Health~~  
34 ~~and Safety Code.~~  
35     ~~(6) That of a spouse of an officer or employee of a public agency~~  
36 ~~in his or her spouse's employment or officeholding if his or her~~  
37 ~~spouse's employment or officeholding has existed for at least one~~  
38 ~~year prior to his or her election or appointment.~~  
39     ~~(7) That of a nonsalaried member of a nonprofit corporation,~~  
40 ~~provided that this interest is disclosed to the body or board at the~~

1 time of the first consideration of the contract, and provided further  
2 that this interest is noted in its official records.

3 ~~(8) That of a noncompensated officer of a nonprofit, tax-exempt~~  
4 ~~corporation, which, as one of its primary purposes, supports the~~  
5 ~~functions of the body or board or to which the body or board has~~  
6 ~~a legal obligation to give particular consideration, and provided~~  
7 ~~further that this interest is noted in its official records.~~

8 For purposes of this paragraph, an officer is “noncompensated”  
9 even though he or she receives reimbursement from the nonprofit,  
10 tax-exempt corporation for necessary travel and other actual  
11 expenses incurred in performing the duties of his or her office.

12 ~~(9) That of a person receiving salary, per diem, or reimbursement~~  
13 ~~for expenses from a government entity, unless the contract directly~~  
14 ~~involves the department of the government entity that employs the~~  
15 ~~officer or employee, provided that the interest is disclosed to the~~  
16 ~~body or board at the time of consideration of the contract, and~~  
17 ~~provided further that the interest is noted in its official record.~~

18 ~~(10) That of an attorney of the contracting party or that of an~~  
19 ~~owner, officer, employee, or agent of a firm which renders, or has~~  
20 ~~rendered, service to the contracting party in the capacity of~~  
21 ~~stockbroker, insurance agent, insurance broker, real estate agent,~~  
22 ~~or real estate broker, if these individuals have not received and~~  
23 ~~will not receive remuneration, consideration, or a commission as~~  
24 ~~a result of the contract and if these individuals have an ownership~~  
25 ~~interest of less than 10 percent in the law practice or firm, stock~~  
26 ~~brokerage firm, insurance firm, or real estate firm.~~

27 ~~(11) Except as provided in subdivision (b), that of an officer or~~  
28 ~~employee of, or a person having less than a 10-percent ownership~~  
29 ~~interest in, a bank, bank holding company, or savings and loan~~  
30 ~~association with which a party to the contract has a relationship~~  
31 ~~of borrower, depositor, debtor, or creditor.~~

32 ~~(12) That of (A) a bona fide nonprofit, tax-exempt corporation~~  
33 ~~having among its primary purposes the conservation, preservation,~~  
34 ~~or restoration of park and natural lands or historical resources for~~  
35 ~~public benefit, which corporation enters into an agreement with a~~  
36 ~~public agency to provide services related to park and natural lands~~  
37 ~~or historical resources and which services are found by the public~~  
38 ~~agency, prior to entering into the agreement or as part of the~~  
39 ~~agreement, to be necessary to the public interest to plan for,~~  
40 ~~acquire, protect, conserve, improve, or restore park and natural~~

1 lands or historical resources for public purposes and (B) any officer,  
 2 director, or employee acting pursuant to the agreement on behalf  
 3 of the nonprofit corporation. For purposes of this paragraph,  
 4 “agreement” includes contracts and grants, and “park,” “natural  
 5 lands,” and “historical resources” shall have the meanings set forth  
 6 in subdivisions (d), (g), and (i) of Section 5902 of the Public  
 7 Resources Code. Services to be provided to the public agency may  
 8 include those studies and related services, acquisitions of property  
 9 and property interests, and any activities related to those studies  
 10 and acquisitions necessary for the conservation, preservation,  
 11 improvement, or restoration of park and natural lands or historical  
 12 resources.

13 (13) That of an officer, employee, or member of the Board of  
 14 Directors of the California Housing Finance Agency with respect  
 15 to a loan product or programs if the officer, employee, or member  
 16 participated in the planning, discussions, development, or approval  
 17 of the loan product or program and both of the following two  
 18 conditions exist:

19 (A) The loan product or program is or may be originated by any  
 20 lender approved by the agency.

21 (B) The loan product or program is generally available to  
 22 qualifying borrowers on terms and conditions that are substantially  
 23 the same for all qualifying borrowers at the time the loan is made.

24 (14) That of a party to a contract for public services entered into  
 25 by a special district that requires a person to be a landowner or a  
 26 representative of a landowner to serve on the board of which the  
 27 officer or employee is a member, on the same terms and conditions  
 28 as if he or she were not a member of the body or board. For  
 29 purposes of this paragraph, “public services” includes the powers  
 30 and purposes generally provided pursuant to provisions of the  
 31 Water Code relating to irrigation districts, California water districts,  
 32 water storage districts, or reclamation districts.

33 (15) That of an owner or partner of a firm serving on an advisory  
 34 board or commission to the contracting agency if the owner or  
 35 partner recuses himself or herself from all participation in  
 36 reviewing a project that results from a contract between the firm  
 37 and the contracting agency.

38 (b) An officer or employee shall not be deemed to be interested  
 39 in a contract made pursuant to competitive bidding under a  
 40 procedure established by law if his or her sole interest is that of

- 1 ~~an officer, director, or employee of a bank or savings and loan~~
- 2 ~~association with which a party to the contract has the relationship~~
- 3 ~~of borrower or depositor, debtor or creditor.~~

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