

FACE SHEET  
FOR FILING ADMINISTRATIVE REGULATIONS  
WITH THE SECRETARY OF STATE  
(Pursuant to Government Code Section 11350.1)

Copy below is hereby certified to be a true and correct copy of regulations adopted, or amended, or an order of repeal by:

FAIR POLITICAL PRACTICES COMMISSION  
(Agency)

Date of adoption, amendment, or repeal:

January 7, 1976

By:

*H. J. Kennedy*

Executive Director

(Title)

ENDORSED  
FILED

In the office of the Secretary of State  
of the State of California

JAN 22 1976

At 3:45 o'clock P.M.

MARCH FONG EU, Secretary of State

ENDORSED  
APPROVED FOR FILING  
(Gov. Code Section 11350.1)  
JAN 22 1976

Office of Administrative Hearings

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ORDER ADOPTING REGULATIONS OF THE  
FAIR POLITICAL PRACTICES COMMISSION

After proceedings had in accordance with the provisions of the Administrative Procedure Act (Government Code Title 2, Div. 3, Part 1, Ch. 4.5) and pursuant to the authority vested by Section 83112 of the Government Code, and to implement, interpret or make specific Section 87103 of the Government Code, the Fair Political Practices Commission hereby adopts its regulation in Division VI, Title 2, California Administrative Code, as follows:

Chapter 7, Article 1: Conflicts of Interest; General Prohibition  
18702. Material Financial Effect (87103)

(a) The financial effect of a governmental decision on a financial interest of a public official is material if, at the time the official makes, participates in making or attempts to use his or her official position to influence the making of the decision, in light of all the circumstances

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and facts known at the time of the decision, the official knows or has reason to know that the existence of the financial interest might interfere with the official's performance of his or her duties in an impartial manner free from bias.

(b) In determining the existence of a material effect upon a financial interest, consideration should be given, but not be limited to, an analysis of the following factors:

(1) In the case of a business entity in which the public official has a direct or indirect investment worth more than one thousand dollars (\$1,000), or in the case of a public official who is a director, officer, partner, trustee, employee, or holds any position of management in a business entity:

(A) Whether the effect of the decision will be to increase or decrease the annualized gross revenue of the business entity by one percent or more or the annual net income of the business entity by .5 percent or more;

(B) Whether the effect of the decision will be to increase or decrease the assets or liabilities of the business entity by \$50,000 or more, or by .5 percent of its current assets or liabilities, whichever is less.

(2) In the case of any real property in which the public official has a direct or indirect interest

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worth more than one thousand dollars (\$1,000):

(A) Whether the effect of the decision will be to increase the income-producing potential of the real property by \$100 or five percent per month, whichever is less;

(B) Whether the effect of the decision will be to increase the fair market value of the real property by \$1,000 or more or by .5 percent, whichever is greater.

(3) In the case of a source of income of a public official as defined in Government Code Section 87103(c):

(A) The decision will affect the source of income in the manner described in subsection (b) (1) above;

(B) Whether the governmental decision will directly affect the amount of income to be received by the official;

(C) Whether there is a nexus between the governmental decision and the purpose for which the official receives income.

The specific dollar or percentage amounts set forth above do not constitute either absolute maximum or minimum levels, but are merely intended to provide guidance and should be considered along with other relevant factors in determining

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whether a financial interest may interfere with the official's exercise of his or her duties in rendering a decision.

(c) Subsection (a) of this section notwithstanding, the making or participation in the making of a governmental decision by a contract consultant or by a person retained to provide information, advice, recommendation or counsel has no material financial effect on a business entity or source of income in which such consultant or person retained is an officer, employee, sole proprietor or partner, if the only financial effects of the decision are the modification, perpetuation or renewal of the contractual or retainer agreement and/or the opportunity to bid competitively on a project or contract.

\* \* \* \* \*

This regulation will not create any new or increased costs to local government pursuant to Section 2231 of the Revenue and Taxation Code.

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