STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811

July 11, 2024

Kathleen Rallings
c/o Sarah Lang, Esq.
455 Capitol Mall, Suite 600
Sacramento, CA 95814

Sent via email: slang@bmhlaw.com

Warning Letter re: FPPC No. 2022-00741; Kathleen Rallings

Dear Sarah Lang,

Please be advised that the Enforcement Division of the Fair Political Practices Commission is hereby withdrawing the warning letter issued to you on May 24, 2024, and is instead closing the matter with this warning letter.

The Enforcement Division of the Fair Political Practices Commission enforces the provisions of the Political Reform Act("the Act").[1] This letter is in response to two sworn complaints alleging your client, Kathleen Rallings ("Rallings"), violated the Act by failing to timely report income received from the California Teachers Association on certain Statements of Economic Interest ("SEI") and Rallings Candidate SEI. The Enforcement Division found that as a result of Rallings' position as a Board of Trustee Member for the Carlsbad Unified School District the Act required Rallings to periodically file a SEI. Additionally, Rallings, as a candidate for Carlsbad Unified School District Trustee Member in the November 8, 2022, General Election, was required to file a Candidate SEI. Rallings failed to timely report income on the 2020 and 2021 Annual SEIs and on the Candidate SEI.

Section 87200 of the Act requires certain public officials to disclose reportable interests. Every person enumerated within Section 87200 must file an SEI within 30 days of assuming office, annually thereafter, and within 30 days of leaving office. Included in the enumerated list is "other public officials who manage public investments" and candidates for any of the offices listed.[2]

Section 87201 of the Act requires every candidate for an office specified in Section 87200 to file no later than the final filing date of a declaration of candidacy. Section 87302.3 of the Act also requires every candidate for an elective office that is designated in a conflict of interest code shall file a statement disclosing the candidate's investments, business positions, interests in real

[1] The Political Reform Act is contained in Government Code sections 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.
[2] Section 87200.

property, and income received during the immediately preceding 12 months, as enumerated in the disclosure requirements for that position.

Section 87300 of the Act requires every state and local agency to develop a Conflict of Interest Code. This Code requires individuals who participate in making decisions which may foreseeably have a material financial effect on any financial interest belonging to that person to disclose all reportable interests on SEIs.[3] Individuals required to file SEIs must file within 30 days of assuming office, annually thereafter at the time specified by the Code, and within 30 days of leaving office.[4]

In 2020 and 2021, the Carlsbad Unified School District Conflict of Interest Code designated Board of Trustees Members with Category 1 disclosure and simultaneously identified Board of Trustees Members as positions that manage public investments and required them to fully disclose their interests on SEIs pursuant to Section 87200.[5] In November 2022, the Carlsbad Unified School District Conflict of Interest Code was amended and the Board of Trustees were no longer designated as a position that manages public investments. Thereafter, the Board of Trustee members were specifically required to disclose only under Category 1 of the Carlsbad Unified School District Conflict of Interest Code. Regarding income, Category 1 requires disclosure of: "investments or business positions in or income from sources which are engaged in the acquisition or disposal of real property within the district, are contractors or subcontractors which are or have been within the past two years engaged in work or services of the type used by the district, or manufacture or sell supplies, books, machinery, or equipment of the type used by the district."[6] Therefore, beginning with the 2022 Annual SEI, the disclosure requirements for the Board of Trustee members changed.

Your client violated the Act by failing to report income from the California Teachers Association on the 2020 and 2021 Annual SEI and the Candidate SEI.[7] At the time these three SEIs were due, your client was required to fully disclose their interests on SEIs. The California Teachers Association helps coordinate and train affiliated chapters, including the Carlsbad Unified Teachers Association, which is in the jurisdiction of the Carlsbad Unified School District, so your client's income from the California Teachers Association was required to be disclosed on these three SEIs. However, the Enforcement Division has determined mitigating circumstances are present in this case. Beginning with the 2022 Annual SEI, the Board of Trustee members disclosure category changed from full disclosure under Section 87200 to disclosure Category 1 of the Carlsbad Unified School District Conflict of Interest Code. Under the new disclosure category, beginning with the 2022 Annual SEI, Rallings was no longer required to report the income from the California Teachers Association. Rallings sought advice from the San Diego Registrar of Voters regarding reporting this income and was incorrectly advised the income was not reportable. As counsel for Rallings, you stated that Rallings sought advice from counsel prior to making any governmental decisions. There is no evidence of a conflict of interest in this case.

[3] Section 87302, subd. (b).
[4] *Ibid.*
[5] 2020 and 2021 Carlsbad Unified School District Conflict of Interest Code.
[6] 2022 Carlsbad Unified School District Conflict of Interest Code.
[7] The Candidate SEI was due on August 12 2022, which was prior to the change in the Carlsbad Unified School District Conflict of Interest Code. Therefore, the Candidate SEI required full disclosure pursuant to Section 87200.

Additionally, Rallings could have reasonably concluded that her income was not reportable because the Murrieta Resource Center, the location of Rallings' employment, is outside of the Carlsbad Unified School District's jurisdiction.[8] Finally, Rallings has no prior history of violating the Act.

This letter serves as a written warning. The information in this matter will be retained and may be considered should an enforcement action become necessary based on newly discovered information or future conduct. Failure to comply with the provisions of the Act in the future will result in monetary penalties of up to $5,000 for each violation.

A warning letter is an Enforcement Division case resolution without administrative prosecution or fine. The Commission has adopted Regulation 18360.1 to authorize the Enforcement Division to issue warning letters to conclude cases in specified circumstances. However, the warning letter resolution does not provide your client with the opportunity for a probable cause hearing or hearing before an Administrative Law Judge or the Commission. If you wish to avail your client of these proceedings by requesting that this case proceed with prosecution rather than a warning, please notify us within ten (10) days from the date of this letter. Upon this notification, the Enforcement Division will rescind this warning letter and proceed with administrative prosecution of this case. If we do not receive such notification, this warning letter will be posted on the Commission's website ten (10) days from the date of this letter.

If you have any questions regarding this letter, please contact me at MCorona@fppc.ca.gov or (279) 237-5932.

Sincerely,

Marissa Corona

Marissa Corona
Commission Counsel
Enforcement Division

Cc: Complainant: Todd Maddison, todd@maddisonweb.com

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[8] Knudson Advice Letter, A-99-067.