



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

April 16, 2025

Karen Arnold
[REDACTED]

Warning Letter: FPPC No. 2024-01190, In the Matter of Karen Arnold

Dear Karen Arnold:

The Enforcement Division of the Fair Political Practices Commission enforces the provisions of the Political Reform Act (the “Act.”)¹. This case was opened as a spin-off case from FPPC Case No. 2019-01386, In the Matter of Karen Arnold and Jessica Grinberg. In that case, the Enforcement Division found insufficient evidence of a violation as alleged in the complaint. However, the investigation discovered a conflict of interest with respect to a separate governmental decision and opened this case in response.

The investigation by the Enforcement Division determined that you, acting in your capacity as a member of the Board of Directors for the Mendocino Coast Healthcare District (“District,”) had a conflict of interest when you voted on April 6, 2020 to approve an agenda item in which your employer, the Mendocino Coast Clinic, was the subject of the decision.²

Under Section 87100 of the Act, no public official at any level of state or local government may make, participate in making, or in any way attempt to use their official position to influence a governmental decision in which they know or have reason to know they have a financial interest.³ When the financial interest is the named party or subject of the decision, such as in a District approving a grant to a named recipient, a financial effect is presumed to be reasonably foreseeable. A public official has a financial interest in a decision if it is reasonably foreseeable the decision will have a material financial effect on the official’s financial interest.⁴ When the financial interest is a source of income, such as income from an employer, the effect will be material if the source is a named party in, or the subject of the decision. If the source of income is a business entity, the regulation provides that the materiality standard that applies is Regulation 18702.1.⁵ The financial effect on a business entity is considered material if the business entity is explicitly involved, such as the entity being the named party in or the subject of the decision.⁶

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 18110 through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

² The statute of limitations in this matter was tolled by the service of a Report in Support of Probable Cause, served on or around December 7, 2024.

³ Section 87100.

⁴ See Regulation 18700.

⁵ Regulation 18702.3, subdivision (a)(4).

⁶ Regulation 18702.1, subdivision (a)(1).

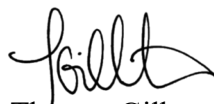
Circumstances exist such that the Enforcement Division will take no further action. You had no prior history or experience serving as a member of a public agency prior to your experience on the Board of Directors for the District. You were a successful candidate for a short-term seat during the November 6, 2018 General Election and you served until December 25, 2020. You have not served in public office since. The decision at issue involved a grant of \$25,000 and was given to and administered by the Clinic for the purpose of providing transportation and accommodation services and/or payments for pregnant patients in the District's service area during the COVID-19 pandemic. The District had previously made the decision to cease services to pregnant patients, requiring these patients to travel up to two hours to the next nearest care facility. The grant was a one-time fund provided by the District to mitigate the harms from the closing of the local hospital's obstetrics unit. You contend that the decision provided no financial benefit to the Clinic because the funds were entirely used to benefit the pregnant patients who would be served. You provided that you voted on this matter due to this understanding. The District is rural and there are few healthcare providers. The Clinic was the only suitable provider to send the funds.

You have previously sought legal advice from the FPPC and private counsel with respect to other potential conflicts of interest wherein the analysis of those potential conflicts hinged on whether the governmental decision would have a large enough financial effect on the financial interest to be deemed material. In those decisions, the Clinic was not the subject of the decision. The Enforcement Division finds that while it is a conflict of interest to vote on a matter involving one's employer, the public harm here is low given the circumstances, you are no longer in office, you were not an experienced public official, and there are indications that you had a good faith belief that your vote was lawful. You have no prior enforcement history and you disclosed your economic interest on your Statements of Economic Interest. Based on these facts, the Enforcement Division is closing this matter with this warning letter.

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 you with the opportunity for a probable cause hearing or hearing before an Administrative Law Judge or the Commission. If you wish to avail yourself of these proceedings by requesting that your 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.

Should you have any questions regarding this letter, please feel free to contact me at (279) 237-5960 or tgilbertson@fppc.ca.gov.

Sincerely,



Theresa Gilbertson
Senior Commission Counsel
Enforcement Division