

AMENDED IN ASSEMBLY APRIL 13, 2010
AMENDED IN ASSEMBLY FEBRUARY 23, 2010
CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1650

**Introduced by Assembly Members Feuer and Blumenfield,
Blumenfield, and Huffman**
**(Coauthors: Assembly Members Anderson, Block, De Leon,
Huffman Hill, Jones, Lieu, Miller, Portantino, Silva, and Tran)**
(Coauthor: Senator Pavley)

January 13, 2010

An act to add Chapter 2.7 (commencing with Section 2200) to Part 1 of Division 2 of the Public Contract Code, relating to public contracts.

LEGISLATIVE COUNSEL'S DIGEST

AB 1650, as amended, Feuer. Public contracts: state and local contract eligibility: energy sector investment activities in Iran.

Existing law sets forth the requirements for the solicitation and evaluation of bids and the awarding of contracts by public entities.

This bill would prohibit a scrutinized person, as defined, that is engaged in investment activities in the energy sector in Iran, from bidding on or entering into a contract with a public entity for goods or services. The bill would require a prospective bidder for those contracts, that currently or within the previous 3 years has had business activities or other operations outside of the United States, to certify that it is not a scrutinized person and would impose civil penalties, as specified, for a person that provides a false certification. This bill would require the awarding body of a public entity, if the awarding body determines that a person is a scrutinized person, to provide written notice of its intent

to not enter into or renew a contract for goods or services with the person. This bill would require the awarding body to provide a person determined to be a scrutinized person an opportunity to demonstrate it is not involved in specified activities in Iran.

This bill would make legislative finding and declarations regarding a statewide concern.

This bill would become operative only if federal law authorizes states to adopt and enforce contracting prohibitions of the type provided for in this bill, and would become inoperative upon the date that federal authorization ceases.

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. Chapter 2.7 (commencing with Section 2200) is
2 added to Part 1 of Division 2 of the Public Contract Code, to read:

3

4 CHAPTER 2.7. IRAN CONTRACTING ACT OF 2010

5

6 2200. This chapter shall be known and may be cited as the Iran
7 Contracting Act of 2010.

8 2201. The Legislature hereby finds and declares all of the
9 following:

10 (a) In imposing United States sanctions on Iran, Congress and
11 the President have determined that the illicit nuclear activities of
12 the Government of Iran, combined with its development of
13 unconventional weapons and ballistic missiles, and its support of
14 international terrorism, represent a serious threat to the security
15 of the United States, Israel, and other United States allies in Europe,
16 the Middle East, and around the world.

17 (b) On September 9, 2009, it was reported that American
18 intelligence agencies have concluded that Iran has already created
19 enough nuclear fuel to develop a nuclear weapon, and United States
20 Ambassador to the International Atomic Energy Agency Glyn
21 Davies declared that Iran had achieved “possible breakout
22 capacity.”

23 (c) On September 21, 2009, Iran sent a letter to the International
24 Atomic Energy Agency acknowledging that it is considering a
25 previously undeclared “new pilot fuel enrichment plan.”

1 (d) On Sept. 25, 2009, President Barack H. Obama, joined by
2 Prime Minister Gordon Brown of Britain and President Nicolas
3 Sarkozy of France, stated that the secret plant “represents a direct
4 challenge to the basic foundation of the nonproliferation regime”
5 and “deepens a growing concern that Iran is refusing to live up to
6 those international responsibilities, including specifically revealing
7 all nuclear-related activities. As the international community
8 knows, this is not the first time that Iran has concealed information
9 about its nuclear program.”

10 (e) The International Atomic Energy Agency has repeatedly
11 called attention to Iran’s unlawful nuclear activities, and, as a
12 result, the United Nations Security Council has adopted a range
13 of sanctions designed to encourage the Government of Iran to
14 cease those activities and comply with its obligations under the
15 Treaty on the Non-Proliferation of Nuclear Weapons (commonly
16 known as the “Nuclear Non-Proliferation Treaty”).

17 (f) It is anticipated that Congress will declare its intent that state
18 and local governments be able to direct divestiture from, prevent
19 investment in, and prohibit entry into or renewal of contracts with,
20 companies operating in Iran’s energy sector. Under bipartisan
21 federal legislation advancing in the 111th Congress and
22 cosponsored by more than one-third of the members of the United
23 States Senate and more than half of the members of the House of
24 Representatives, state and local governments would be expressly
25 authorized to divest and otherwise disassociate themselves from
26 companies with investments that have the result of directly or
27 indirectly supporting the efforts of the Government of Iran to
28 achieve a nuclear weapons capability.

29 (g) On October 7, 2008, then-Senator Obama stated, “Iran right
30 now imports gasoline, even though it’s an oil producer, because
31 its oil infrastructure has broken down. If we can prevent them from
32 importing the gasoline that they need and the refined petroleum
33 products, that starts changing their cost-benefit analysis. That starts
34 putting the squeeze on them.”

35 (h) The serious and urgent nature of the threat from Iran
36 demands that states, local governments, educational institutions,
37 and private institutions work together with the federal government
38 and American allies to do everything possible diplomatically,
39 politically, and economically to prevent Iran from acquiring a
40 nuclear weapons capability.

1 (i) There are moral and reputational reasons for this state and
2 local governments to not engage in business with foreign
3 companies that have business activities benefiting foreign states,
4 such as Iran, that commit egregious violations of human rights,
5 proliferate nuclear weapons capabilities, and support terrorism.

6 (j) It is the responsibility of the state to decide how, where, and
7 by whom its financial resources should be invested. It also is the
8 prerogative of the state to not invest in, or do business with,
9 companies whose investments with Iran place those companies at
10 risk from the impact of economic sanctions imposed upon the
11 Government of Iran for sponsoring terrorism, committing egregious
12 violations of human rights, and engaging in illicit nuclear weapons
13 development.

14 (k) The human rights situation in Iran has steadily deteriorated
15 in 2009, as punctuated by transparently fraudulent elections and
16 the brutal repression and murder, arbitrary arrests, and show trials
17 of peaceful dissidents.

18 (l) During the postelection protests in June 2009, the Iranian
19 government imposed widespread and unjustifiable restrictions on
20 telecommunications services, denying the citizens of Iran their
21 rights and liberties to free speech.

22 (m) On October 14, 2007, Governor Arnold Schwarzenegger
23 stated his intention to support “efforts to further prevent terrorism”
24 when signing Assembly Bill 221, which prohibits the state’s
25 pension funds from investing in companies with active business
26 in Iran.

27 (n) This state currently honors contracts with foreign companies
28 that may be at financial risk due to business ties with foreign states,
29 such as Iran, that are involved in the proliferation of weapons of
30 mass destruction, commit human rights violations, and support
31 terrorism.

32 (o) The concerns of the State of California regarding Iran are
33 strictly the result of the actions of the Government of Iran.

34 (p) The people of the State of California declare all of the
35 following:

- 36 (1) We have feelings of friendship for the people of Iran.
- 37 (2) We regret that developments in recent decades have created
38 impediments to that friendship.
- 39 (3) We hold the people of Iran, their culture, and their ancient
40 and rich history in the highest esteem.

1 (q) In order to effectively address the need for the governments
2 of this state to respond to the policies of Iran in a uniform fashion,
3 prohibiting contracts with scrutinized persons doing business in
4 Iran must be accomplished on a statewide basis, and, therefore,
5 the subject is a matter of statewide concern rather than a municipal
6 affair.

7 2202. As used in this chapter, the following definitions apply:

8 (a) “Awarding body” means a department, board, agency,
9 authority, or officer, agent, or other authorized representative of
10 the public entity awarding a contract for goods or services.

11 (b) “Energy sector” means activities to develop petroleum or
12 natural gas resources or nuclear power.

13 (c) “Financial institution” means the term as used in Section
14 14(5) of the Iran Sanctions Act of 1996 (Public Law 104-172; 50
15 U.S.C. 1701 note).

16 (d) “Iran” includes any agency or instrumentality of Iran.

17 (e) “Person” means any of the following:

18 (1) A natural person, corporation, company, limited liability
19 company, business association, partnership, society, trust, or any
20 other nongovernmental entity, organization, or group.

21 (2) Any governmental entity or instrumentality of a government,
22 including a multilateral development institution, as defined in
23 Section 1701(c)(3) of the International Financial Institutions Act
24 (22 U.S.C. 262r(c)(3)).

25 (3) Any successor, subunit, parent company, or subsidiary of,
26 or company under common ownership or control with, any entity
27 described in paragraph (1) or (2).

28 (f) “Scrutinized person” means a person that engages in
29 investment activities in the energy sector in Iran. A person engages
30 in investment activities in the energy sector in Iran if any of the
31 following is true:

32 (1) The person has an investment of twenty million dollars
33 (\$20,000,000) or more in the energy sector in Iran.

34 (2) The person provides oil or liquified natural gas tankers, or
35 products used to construct or maintain pipelines used to transport
36 oil or liquified natural gas, for the energy sector in Iran.

37 (3) The person is a financial institution that extends twenty
38 million dollars (\$20,000,000) or more in credit to another person,
39 for 45 days or more, if that person will use the credit to invest in
40 the energy sector in Iran.

1 2203. A scrutinized person is ineligible to, and shall not, bid
2 on, submit a proposal for, or enter into, a contract with a public
3 entity for goods or services.

4 2204. A public entity shall require a person that submits a bid
5 or proposal to, or otherwise proposes to enter into a contract with,
6 a public entity with respect to a contract for goods or services, that
7 currently or within the previous three years has had business
8 activities or other operations outside of the United States, to certify
9 that the person is not a scrutinized person.

10 2205. (a) If the awarding body determines that a person has
11 submitted a false certification under Section 2204, the person shall
12 be subject to all of the following:

13 (1) Pursuant to an action under subdivision (b), a civil penalty
14 in an amount that is equal to the greater of two hundred fifty
15 thousand dollars (\$250,000) or twice the amount of the contract
16 for which the false certification was made.

17 (2) Termination of an existing contract with the awarding body
18 at the option of the awarding body.

19 (3) Ineligibility to bid on a contract for a period of three years
20 from the date of the determination that the person submitted the
21 false certification.

22 (b) The awarding body shall report to the Attorney General the
23 name of the person that the awarding body determines has
24 submitted a false certification under Section 2204, together with
25 its information as to the false certification, and the Attorney
26 General shall determine whether to bring a civil action against the
27 person to collect the penalty described in paragraph (1) of
28 subdivision (a). *The awarding body of a local public entity may*
29 *also report to the city attorney, county counsel, or district attorney*
30 *the name of the person that the awarding body determines has*
31 *submitted a false certification under Section 2204, together with*
32 *its information as to the false certification, and the city attorney,*
33 *county counsel, or district attorney may determine whether to*
34 *bring a civil action against the person to collect the penalty*
35 *described in paragraph (1) of subdivision (a).* If it is determined
36 in that action that the person submitted a false certification, the
37 person shall pay all reasonable costs and fees incurred in a civil
38 action, including costs incurred by the awarding body for
39 investigations that led to the finding of the false certification and

1 all reasonable costs and fees incurred by the Attorney General,
2 *city attorney, county counsel, or district attorney.*

3 2206. (a) If the awarding body, using credible information
4 available to the public, determines that a person that has an existing
5 contract with the awarding body, or has submitted a pending bid
6 or contract proposal to, or otherwise proposes to enter into a
7 contract with, the awarding body, is a scrutinized person, the
8 awarding body shall provide 90 days' written notice of its intent
9 to not enter into or renew a contract for goods or services with the
10 person. The notice shall specify that the person, if it ceases its
11 engagement in investment activities in the energy sector in Iran,
12 may become eligible for a future contract for goods or services
13 with the awarding body.

14 (b) The awarding body shall provide a person determined to be
15 a scrutinized person with an opportunity to demonstrate to the
16 awarding body that it is not engaged in investment activities in the
17 energy sector in Iran. If the awarding body determines that the
18 person is not engaged in investment activities in the energy sector
19 in Iran, the person shall be eligible to enter into or renew a contract
20 for goods or services with the awarding body.

21 2207. The Legislature shall submit to the Attorney General of
22 the United States a written notice describing this chapter within
23 30 days after the operative date of this chapter.

24 2208. (a) If any one or more provisions, sections, subdivisions,
25 sentences, clauses, phrases, or words of this act or the application
26 thereof to any person or circumstance is found to be invalid, illegal,
27 unenforceable, or unconstitutional, the same is hereby declared to
28 be severable and the balance of this act shall remain effective and
29 functional notwithstanding such invalidity, illegality,
30 unenforceability, or unconstitutionality.

31 (b) The Legislature hereby declares that it would have passed
32 this act, and each provision, section, subdivision, sentence, clause,
33 phrase, or word thereof, irrespective of the fact that any one or
34 more provisions, sections, subdivisions, sentences, clauses, phrases,
35 or words are declared invalid, illegal, unenforceable, or
36 unconstitutional.

37 SEC. 2. (a) Section 1 of this act shall become operative only
38 if federal legislation authorizing states to adopt and enforce
39 contracting prohibitions of the type provided for in that section is
40 enacted and, in that event, shall become operative on the later of

1 January 1, 2011, or the operative date of the authorizing federal
2 legislation.

3 (b) Section 1 of this act shall become inoperative upon the date
4 that federal law ceases to authorize the states to adopt and enforce
5 the contracting prohibitions of the type provided for in that section.

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