

**Assembly Bill No. 10**

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Passed the Assembly September 10, 2015

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*Chief Clerk of the Assembly*

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Passed the Senate September 9, 2015

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2015, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 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, Gatto. Political Reform Act of 1974: economic interest disclosures.

(1) 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 before 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.

This 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.

(2) This bill would incorporate additional changes to Section 87207 of the Government Code, proposed by SB 21, that would become operative only if SB 21 and this bill are both chaptered and become effective on or before January 1, 2016, and this bill is chaptered last.

(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.

(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.

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

SECTION 1. Section 82033 of the Government Code is amended to read:

82033. "Interest in real property" includes any leasehold, beneficial or ownership interest, or an option to acquire such an interest in real property located in the jurisdiction owned directly, indirectly, or beneficially by the public official, or other filer, or his or her immediate family if the fair market value of the interest is ten thousand dollars (\$10,000) or more. Interests in real property of an individual includes a pro rata share of interests in real property of any business entity or trust in which the individual or

immediate family owns, directly, indirectly, or beneficially, a 10-percent interest or greater.

SEC. 2. Section 82034 of the Government Code is amended to read:

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

SEC. 3. Section 87103 of the Government Code is amended to read:

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

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

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

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

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

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

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

SEC. 4. Section 87206 of the Government Code is amended to read:

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

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

(b) (1) The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged. If a filer is required to report on his or her statement of economic interests a business entity investment in which the filer is a director, officer, partner, or trustee, except as provided in paragraph (2), the filer shall provide a thorough and detailed description of the business entity's

activities and disclose the names of all business partners who share a financial interest in the business entity, based on criteria established by the commission.

(2) A filer is not required to provide a thorough and detailed description of the business entity's activities and is not required to disclose the names of all business partners who share a financial interest in the business entity if the business entity is publicly traded.

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

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

(2) Greater than ten thousand dollars (\$10,000) but not greater than fifty thousand dollars (\$50,000).

(3) Greater than fifty thousand dollars (\$50,000) but not greater than one hundred thousand dollars (\$100,000).

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

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

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

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

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

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

SEC. 5. Section 87206.5 is added to the Government Code, to read:

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

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

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

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

(A) At least ten thousand dollars (\$10,000) but not greater than one hundred thousand dollars (\$100,000).

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

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

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

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

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

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

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

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

SEC. 6. Section 87207 of the Government Code is amended to read:

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

(1) The name and address of each source of income aggregating one thousand dollars (\$1,000) or more in value, or fifty dollars (\$50) or more in value if the income was a gift, and a general description of the business activity, if any, of each source.

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

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

(B) Greater than ten thousand dollars (\$10,000) but not greater than fifty thousand dollars (\$50,000).

(C) Greater than fifty thousand dollars (\$50,000) but not greater than one hundred thousand dollars (\$100,000).

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

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

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

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

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

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

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

(1) (A) The name, address, and, except as provided in subparagraph (B), a thorough and detailed description of the business activity of the business entity based on criteria established by the commission.

(B) A filer is not required to provide a thorough and detailed description of the business activity of the business entity if the business entity is publicly traded.

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

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

SEC. 6.5. Section 87207 of the Government Code is amended to read:

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

(1) The name and address of each source of income aggregating one thousand dollars (\$1,000) or more in value, or fifty dollars

(\$50) or more in value if the income was a gift, and a general description of the business activity, if any, of each source.

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

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

(B) Greater than ten thousand dollars (\$10,000) but not greater than fifty thousand dollars (\$50,000).

(C) Greater than fifty thousand dollars (\$50,000) but not greater than one hundred thousand dollars (\$100,000).

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

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

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

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

(4) In the case of a gift, the amount and the date on which the gift was received, and the travel destination for purposes of a gift that is a travel payment, advance, or reimbursement.

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

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

(1) (A) The name, address, and, except as provided in subparagraph (B), a thorough and detailed description of the business activity of the business entity based on criteria established by the commission.

(B) A filer is not required to provide a thorough and detailed description of the business activity of the business entity if the business entity is publicly traded.

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

(c) If a payment, including an advance or reimbursement, for travel is required to be reported pursuant to this section, it may be reported on a separate travel reimbursement schedule, which shall

be included in the filer's statement of economic interests. A filer who chooses not to use the travel schedule shall disclose payments for travel as a gift, unless it is clear from all surrounding circumstances that the services provided were equal to or greater in value than the payments for the travel, in which case the travel may be reported as income.

SEC. 7. Section 87211 is added to the Government Code, to read:

87211. (a) A public official who holds an office specified in Section 87200 shall disclose on his or her statement of economic interests each governmental decision for which a financial interest resulted in the public official's disqualification from making, participating in making, or in any way attempting to use his or her official position to influence that governmental decision pursuant to Section 87100 or, for a Member of the Legislature, Section 87102.5. The disclosure shall identify the governmental decision, the date that the governmental decision was made or considered, the financial interest that created the conflict of interest, and any other relevant information that the commission deems appropriate.

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

SEC. 8. Section 6.5 of this bill incorporates amendments to Section 87207 of the Government Code proposed by both this bill and Senate Bill 21. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2016, (2) each bill amends Section 87207 of the Government Code, and (3) this bill is enacted after Senate Bill 21, in which case Section 6 of this bill shall not become operative.

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

SEC. 10. The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within

the meaning of subdivision (a) of Section 81012 of the Government Code.









Approved \_\_\_\_\_, 2015

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*Governor*