

AMENDED IN ASSEMBLY MAY 16, 2016
AMENDED IN ASSEMBLY MARCH 31, 2016
AMENDED IN ASSEMBLY MARCH 15, 2016
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2823

Introduced by Assembly Member Gatto

February 19, 2016

An act to amend *and repeal* Sections 82033, 82034, 87103, 87206, and 87207 of, and to add Section 87206.5 to, the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

AB 2823, as amended, Gatto. Political Reform Act of 1974: economic interest disclosure.

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, or a source 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 a source 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 delay the operation of these provisions to January 1, 2018.

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.

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.

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.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

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

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

1 82033. (a) “Interest in real property” includes any leasehold,
2 beneficial or ownership interest or an option to acquire such an
3 interest in real property located in the jurisdiction owned directly,
4 indirectly or beneficially by the public official, or other filer, or
5 his or her immediate family if the fair market value of the interest
6 is two thousand dollars (\$2,000) or more. Interests in real property
7 of an individual includes a pro rata share of interests in real
8 property of any business entity or trust in which the individual or
9 immediate family owns, directly, indirectly or beneficially, a
10 10-percent interest or greater.

11 (b) *This section shall remain in effect only until January 1, 2018,*
12 *and as of that date is repealed, unless a later enacted statute, that*
13 *is enacted before January 1, 2018, deletes or extends that date.*

14 ~~SECTION 1.~~

15 *SEC. 2.* Section 82033 of the Government Code is amended
16 to read:

17 82033. (a) “Interest in real property” includes any leasehold,
18 beneficial or ownership interest, or an option to acquire such an
19 interest in real property located in the jurisdiction owned directly,
20 indirectly, or beneficially by the public official, or other filer, or
21 his or her immediate family if the fair market value of the interest
22 is ten thousand dollars (\$10,000) or more. Interests in real property
23 of an individual includes a pro rata share of interests in real
24 property of any business entity or trust in which the individual or
25 immediate family owns, directly, indirectly, or beneficially, a
26 10-percent interest or greater.

27 (b) *This section shall become operative on January 1, 2018.*

28 *SEC. 3.* Section 82034 of the Government Code is amended to
29 read:

30 82034. (a) “Investment” means any financial interest in or
31 security issued by a business entity, including, but not limited to,
32 common stock, preferred stock, rights, warrants, options, debt
33 instruments, and any partnership or other ownership interest owned
34 directly, indirectly, or beneficially by the public official, or other
35 filer, or his or her immediate family, if the business entity or any
36 parent, subsidiary, or otherwise related business entity has an
37 interest in real property in the jurisdiction, or does business or
38 plans to do business in the jurisdiction, or has done business within
39 the jurisdiction at any time during the two years prior to the time
40 any statement or other action is required under this title. An asset

1 shall not be deemed an investment unless its fair market value
2 equals or exceeds two thousand dollars (\$2,000). The term
3 “investment” does not include a time or demand deposit in a
4 financial institution, shares in a credit union, any insurance policy,
5 interest in a diversified mutual fund registered with the Securities
6 and Exchange Commission under the Investment Company Act
7 of 1940 or in a common trust fund created pursuant to Section
8 1564 of the Financial Code, interest in a government
9 defined-benefit pension plan, or any bond or other debt instrument
10 issued by any government or government agency. Investments of
11 an individual includes a pro rata share of investments of any
12 business entity, mutual fund, or trust in which the individual or
13 immediate family owns, directly, indirectly, or beneficially, a
14 10-percent interest or greater. The term “parent, subsidiary or
15 otherwise related business entity” shall be specifically defined by
16 regulations of the commission.

17 *(b) This section shall remain in effect only until January 1, 2018,*
18 *and as of that date is repealed, unless a later enacted statute, that*
19 *is enacted before January 1, 2018, deletes or extends that date.*

20 ~~SEC. 2.~~

21 *SEC. 4.* Section 82034 of the Government Code is amended
22 to read:

23 82034. (a) “Investment” means any financial interest in, or
24 security issued by, a business entity, including common stock,
25 preferred stock, rights, warrants, options, debt instruments, and
26 any partnership or other ownership interest owned directly,
27 indirectly, or beneficially by the public official, or other filer, or
28 his or her immediate family, if the business entity or any parent,
29 subsidiary, or otherwise related business entity has an interest in
30 real property in the jurisdiction, or does business or plans to do
31 business in the jurisdiction, or has done business within the
32 jurisdiction at any time during the two years before the time any
33 statement or other action is required under this title. An asset shall
34 not be deemed an investment unless its fair market value equals
35 or exceeds five thousand dollars (\$5,000). The term “investment”
36 does not include a time or demand deposit in a financial institution,
37 shares in a credit union, an insurance policy, interest in a diversified
38 mutual fund registered with the Securities and Exchange
39 Commission under the Investment Company Act of 1940 (15
40 U.S.C. Sec. 80a-1 et seq.) or in a common trust fund created

1 pursuant to Section 1585 of the Financial Code, interest in a
2 government defined-benefit pension plan, or a bond or other debt
3 instrument issued by any government or government agency.
4 Investments of an individual includes a pro rata share of
5 investments of any business entity, mutual fund, or trust in which
6 the individual or immediate family owns, directly, indirectly, or
7 beneficially, a 10-percent interest or greater. The term “parent,
8 subsidiary, or otherwise related business entity” shall be
9 specifically defined by regulations of the commission.

10 (b) *This section shall become operative on January 1, 2018.*

11 SEC. 5. *Section 87103 of the Government Code is amended to*
12 *read:*

13 87103. (a) A public official has a financial interest in a
14 decision within the meaning of Section 87100 if it is reasonably
15 foreseeable that the decision will have a material financial effect,
16 distinguishable from its effect on the public generally, on the
17 official, a member of his or her immediate family, or on any of
18 the following:

19 (a)

20 (1) Any business entity in which the public official has a direct
21 or indirect investment worth two thousand dollars (\$2,000) or
22 more.

23 (b)

24 (2) Any real property in which the public official has a direct
25 or indirect interest worth two thousand dollars (\$2,000) or more.

26 (c)

27 (3) Any source of income, except gifts or loans by a commercial
28 lending institution made in the regular course of business on terms
29 available to the public without regard to official status, aggregating
30 five hundred dollars (\$500) or more in value provided or promised
31 to, received by, the public official within 12 months prior to the
32 time when the decision is made.

33 (d)

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

37 (e)

38 (5) Any donor of, or any intermediary or agent for a donor of,
39 a gift or gifts aggregating two hundred fifty dollars (\$250) or more
40 in value provided to, received by, or promised to the public official

1 within 12 months prior to the time when the decision is made. The
2 amount of the value of gifts specified by this subdivision shall be
3 adjusted biennially by the commission to equal the same amount
4 determined by the commission pursuant to subdivision (f) of
5 Section 89503.

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

12 *(b) This section shall remain in effect only until January 1, 2018,*
13 *and as of that date is repealed, unless a later enacted statute, that*
14 *is enacted before January 1, 2018, deletes or extends that date.*

15 ~~SEC. 3.~~

16 SEC. 6. Section 87103 of the Government Code is amended
17 to read:

18 87103. (a) A public official has a financial interest in a
19 decision within the meaning of Section 87100 if it is reasonably
20 foreseeable that the decision will have a material financial effect,
21 distinguishable from its effect on the public generally, on the
22 official, a member of his or her immediate family, or on any of
23 the following:

24 ~~(a)~~

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

28 ~~(b)~~

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

31 ~~(c)~~

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

38 ~~(d)~~

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

4 ~~(e)~~

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

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

19 *(b) This section shall become operative on January 1, 2018.*

20 *SEC. 7. Section 87206 of the Government Code is amended to*
21 *read:*

22 87206. (a) If an investment or an interest in real property is
23 required to be disclosed under this article, the statement shall
24 contain:

25 ~~(a)~~

26 (1) A statement of the nature of the investment or interest.

27 ~~(b)~~

28 (2) The name of the business entity in which each investment
29 is held, and a general description of the business activity in which
30 the business entity is engaged.

31 ~~(c)~~

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

33 ~~(d)~~

34 (4) A statement whether the fair market value of the investment
35 or interest in real property equals or exceeds two thousand dollars
36 (\$2,000) but does not exceed ten thousand dollars (\$10,000),
37 whether it exceeds ten thousand dollars (\$10,000) but does not
38 exceed one hundred thousand dollars (\$100,000), whether it
39 exceeds one hundred thousand dollars (\$100,000) but does not

1 exceed one million dollars (\$1,000,000), or whether it exceeds one
2 million dollars (\$1,000,000).

3 (e)

4 (5) In the case of a statement filed under Sections 87203 or
5 87204, if the investment or interest in real property was partially
6 or wholly acquired or disposed of during the period covered by
7 the statement, the date of acquisition or disposal.

8 (f)

9 (6) For purposes of disclosure under this article, “interest in real
10 property” does not include the principal residence of the filer or
11 any other property which the filer utilizes exclusively as the
12 personal residence of the filer.

13 (b) *This section shall remain in effect only until January 1, 2018,*
14 *and as of that date is repealed, unless a later enacted statute, that*
15 *is enacted before January 1, 2018, deletes or extends that date.*

16 ~~SEC. 4.~~

17 SEC. 8. Section 87206 of the Government Code is amended
18 to read:

19 87206. (a) If an investment is required to be disclosed under
20 this article, the statement shall contain all of the following:

21 (a)

22 (1) A statement of the nature of the investment.

23 (b)

24 (2) The name of the business entity in which each investment
25 is held, and a general description of the business activity in which
26 the business entity is engaged.

27 (c)

28 (3) A statement indicating which of the following represents
29 the fair market value of the investment:

30 (1)

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

33 (2)

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

36 (3)

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

39 (4)

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

3 ~~(5)~~

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

6 ~~(6)~~

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

9 ~~(7)~~

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

12 ~~(8)~~

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

14 ~~(d)~~

15 (4) In the case of a statement filed under Section 87203 or
16 87204, if the investment was partially or wholly acquired or
17 disposed of during the period covered by the statement, the date
18 of acquisition or disposal.

19 (b) *This section shall become operative on January 1, 2018.*

20 ~~SEC. 5:~~

21 *SEC. 9.* Section 87206.5 is added to the Government Code, to
22 read:

23 87206.5. (a) If an interest in real property is required to be
24 disclosed under this article, the statement shall contain all of the
25 following:

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

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

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

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

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

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

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

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

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

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

4 (4) In the case of a statement filed under Section 87203 or
5 87204, if the interest in real property was partially or wholly
6 acquired or disposed of during the period covered by the statement,
7 the date of acquisition or disposal.

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

12 (c) *This section shall become operative on January 1, 2018.*

13 *SEC. 10. Section 87207 of the Government Code is amended*
14 *to read:*

15 87207. (a) If income is required to be reported under this
16 article, the statement shall contain, except as provided in
17 subdivision (b):

18 (1) The name and address of each source of income aggregating
19 five hundred dollars (\$500) or more in value, or fifty dollars (\$50)
20 or more in value if the income was a gift, and a general description
21 of the business activity, if any, of each source.

22 (2) A statement whether the aggregate value of income from
23 each source, or in the case of a loan, the highest amount owed to
24 each source, was at least five hundred dollars (\$500) but did not
25 exceed one thousand dollars (\$1,000), whether it was in excess of
26 one thousand dollars (\$1,000) but was not greater than ten thousand
27 dollars (\$10,000), whether it was greater than ten thousand dollars
28 (\$10,000) but not greater than one hundred thousand dollars
29 (\$100,000), or whether it was greater than one hundred thousand
30 dollars (\$100,000).

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

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

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

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

1 (1) The name, address, and a general description of the business
2 activity of the business entity.

3 (2) The name of every person from whom the business entity
4 received payments if the filer's pro rata share of gross receipts
5 from that person was equal to or greater than ten thousand dollars
6 (\$10,000) during a calendar year.

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

16 (d) *This section shall remain in effect only until January 1, 2018,*
17 *and as of that date is repealed, unless a later enacted statute, that*
18 *is enacted before January 1, 2018, deletes or extends that date.*

19 ~~SEC. 6.~~

20 *SEC. 11.* Section 87207 of the Government Code is amended
21 to read:

22 87207. (a) Except as provided in subdivision (b), if income is
23 required to be reported under this article, the statement shall contain
24 all of the following:

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

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

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

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

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

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

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

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

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

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

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

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

14 (1) The name, address, and a general description of the business
15 activity of the business entity.

16 (2) The name of every person from whom the business entity
17 received payments if the filer’s pro rata share of gross receipts
18 from that person was equal to or greater than ten thousand dollars
19 (\$10,000) during a calendar year.

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

29 (d) *This section shall become operative on January 1, 2018.*

30 ~~SEC. 7.~~

31 *SEC. 12.* No reimbursement is required by this act pursuant to
32 Section 6 of Article XIII B of the California Constitution because
33 the only costs that may be incurred by a local agency or school
34 district will be incurred because this act creates a new crime or
35 infraction, eliminates a crime or infraction, or changes the penalty
36 for a crime or infraction, within the meaning of Section 17556 of
37 the Government Code, or changes the definition of a crime within
38 the meaning of Section 6 of Article XIII B of the California
39 Constitution.

1 ~~SEC. 8.~~

2 *SEC. 13.* The Legislature finds and declares that this bill
3 furthers the purposes of the Political Reform Act of 1974 within
4 the meaning of subdivision (a) of Section 81012 of the Government
5 Code.

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