

Introduced by Senator MendozaFebruary 23, 2015

An act to amend, repeal, and add Section 1091.5 of, and to add Section 1091.7 to, the Government Code, relating to public officers.

LEGISLATIVE COUNSEL'S DIGEST

SB 330, as introduced, Mendoza. Public officers: contracts: financial interest.

(1) Existing law prohibits Members of the Legislature, and state, county, district, judicial district, and city officers or employees from being financially interested in a contract, as specified, made by them in their official capacity or by any body or board of which they are members, subject to specified exceptions.

This bill would, on and after January 1, 2017, and notwithstanding any other law, expand these prohibitions to deem that a public officer who is an elected member of any state or local body, board, or commission has a prohibited financial interest in a contract pursuant to these provisions, if that public officer's spouse, child, parent, sibling, or the spouse of the child, parent, or sibling has a financial interest in any contract made by that public officer in his or her official capacity, or by any body, board, or commission of which that public officer is a member.

(2) Existing law imposes a criminal penalty for every officer or person who willfully violates the prohibitions against making or being financially interested in contracts, as specified.

By expanding these prohibitions, this bill would create a new crime, and thus, would impose a state-mandated local program.

(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.

Vote: majority. 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 1091.5 of the Government Code is
2 amended to read:

3 1091.5. (a) An officer or employee shall not be deemed to be
4 interested in a contract if his or her interest is any of the following:

5 (1) The ownership of less than 3 percent of the shares of a
6 corporation for profit, provided that the total annual income to him
7 or her from dividends, including the value of stock dividends, from
8 the corporation does not exceed 5 percent of his or her total annual
9 income, and any other payments made to him or her by the
10 corporation do not exceed 5 percent of his or her total annual
11 income.

12 (2) That of an officer in being reimbursed for his or her actual
13 and necessary expenses incurred in the performance of official
14 duties.

15 (3) That of a recipient of public services generally provided by
16 the public body or board of which he or she is a member, on the
17 same terms and conditions as if he or she were not a member of
18 the body or board.

19 (4) That of a landlord or tenant of the contracting party if the
20 contracting party is the federal government or any federal
21 department or agency, this state or an adjoining state, any
22 department or agency of this state or an adjoining state, any county
23 or city of this state or an adjoining state, or any public corporation
24 or special, judicial, or other public district of this state or an
25 adjoining state unless the subject matter of the contract is the
26 property in which the officer or employee has the interest as
27 landlord or tenant in which event his or her interest shall be deemed
28 a remote interest within the meaning of, and subject to, the
29 provisions of Section 1091.

1 (5) That of a tenant in a public housing authority created
2 pursuant to Part 2 (commencing with Section 34200) of Division
3 24 of the Health and Safety Code in which he or she serves as a
4 member of the board of commissioners of the authority or of a
5 community development commission created pursuant to Part 1.7
6 (commencing with Section 34100) of Division 24 of the Health
7 and Safety Code.

8 (6) That of a spouse of an officer or employee of a public agency
9 in his or her spouse's employment or officeholding if his or her
10 spouse's employment or officeholding has existed for at least one
11 year prior to his or her election or appointment.

12 (7) That of a nonsalaried member of a nonprofit corporation,
13 provided that this interest is disclosed to the body or board at the
14 time of the first consideration of the contract, and provided further
15 that this interest is noted in its official records.

16 (8) That of a noncompensated officer of a nonprofit, tax-exempt
17 corporation, which, as one of its primary purposes, supports the
18 functions of the body or board or to which the body or board has
19 a legal obligation to give particular consideration, and provided
20 further that this interest is noted in its official records.

21 For purposes of this paragraph, an officer is "noncompensated"
22 even though he or she receives reimbursement from the nonprofit,
23 tax-exempt corporation for necessary travel and other actual
24 expenses incurred in performing the duties of his or her office.

25 (9) That of a person receiving salary, per diem, or reimbursement
26 for expenses from a government entity, unless the contract directly
27 involves the department of the government entity that employs the
28 officer or employee, provided that the interest is disclosed to the
29 body or board at the time of consideration of the contract, and
30 provided further that the interest is noted in its official record.

31 (10) That of an attorney of the contracting party or that of an
32 owner, officer, employee, or agent of a firm which renders, or has
33 rendered, service to the contracting party in the capacity of
34 stockbroker, insurance agent, insurance broker, real estate agent,
35 or real estate broker, if these individuals have not received and
36 will not receive remuneration, consideration, or a commission as
37 a result of the contract and if these individuals have an ownership
38 interest of less than 10 percent in the law practice or firm, stock
39 brokerage firm, insurance firm, or real estate firm.

1 (11) Except as provided in subdivision (b), that of an officer or
 2 employee of, or a person having less than a 10-percent ownership
 3 interest in, a bank, bank holding company, or savings and loan
 4 association with which a party to the contract has a relationship
 5 of borrower, depositor, debtor, or creditor.

6 (12) That of (A) a bona fide nonprofit, tax-exempt corporation
 7 having among its primary purposes the conservation, preservation,
 8 or restoration of park and natural lands or historical resources for
 9 public benefit, which corporation enters into an agreement with a
 10 public agency to provide services related to park and natural lands
 11 or historical resources and which services are found by the public
 12 agency, prior to entering into the agreement or as part of the
 13 agreement, to be necessary to the public interest to plan for,
 14 acquire, protect, conserve, improve, or restore park and natural
 15 lands or historical resources for public purposes and (B) any officer,
 16 director, or employee acting pursuant to the agreement on behalf
 17 of the nonprofit corporation. For purposes of this paragraph,
 18 “agreement” includes contracts and grants, and “park,” “natural
 19 lands,” and “historical resources” shall have the meanings set forth
 20 in subdivisions (d), (g), and (i) of Section 5902 of the Public
 21 Resources Code. Services to be provided to the public agency may
 22 include those studies and related services, acquisitions of property
 23 and property interests, and any activities related to those studies
 24 and acquisitions necessary for the conservation, preservation,
 25 improvement, or restoration of park and natural lands or historical
 26 resources.

27 (13) That of an officer, employee, or member of the Board of
 28 Directors of the California Housing Finance Agency with respect
 29 to a loan product or programs if the officer, employee, or member
 30 participated in the planning, discussions, development, or approval
 31 of the loan product or program and both of the following two
 32 conditions exist:

33 (A) The loan product or program is or may be originated by any
 34 lender approved by the agency.

35 (B) The loan product or program is generally available to
 36 qualifying borrowers on terms and conditions that are substantially
 37 the same for all qualifying borrowers at the time the loan is made.

38 (14) That of a party to a contract for public services entered into
 39 by a special district that requires a person to be a landowner or a
 40 representative of a landowner to serve on the board of which the

1 officer or employee is a member, on the same terms and conditions
2 as if he or she were not a member of the body or board. For
3 purposes of this paragraph, “public services” includes the powers
4 and purposes generally provided pursuant to provisions of the
5 Water Code relating to irrigation districts, California water districts,
6 water storage districts, or reclamation districts.

7 (b) An officer or employee shall not be deemed to be interested
8 in a contract made pursuant to competitive bidding under a
9 procedure established by law if his or her sole interest is that of
10 an officer, director, or employee of a bank or savings and loan
11 association with which a party to the contract has the relationship
12 of borrower or depositor, debtor or creditor.

13 (c) *This section shall be repealed on January 1, 2017.*

14 SEC. 2. Section 1091.5 is added to the Government Code, to
15 read:

16 1091.5. (a) An officer or employee shall not be deemed to be
17 interested in a contract if his or her interest is any of the following:

18 (1) The ownership of less than 3 percent of the shares of a
19 corporation for profit, provided that the total annual income to him
20 or her from dividends, including the value of stock dividends, from
21 the corporation does not exceed 5 percent of his or her total annual
22 income, and any other payments made to him or her by the
23 corporation do not exceed 5 percent of his or her total annual
24 income.

25 (2) That of an officer in being reimbursed for his or her actual
26 and necessary expenses incurred in the performance of official
27 duties.

28 (3) That of a recipient of public services generally provided by
29 the public body or board of which he or she is a member, on the
30 same terms and conditions as if he or she were not a member of
31 the body or board.

32 (4) That of a landlord or tenant of the contracting party if the
33 contracting party is the federal government or any federal
34 department or agency, this state or an adjoining state, any
35 department or agency of this state or an adjoining state, any county
36 or city of this state or an adjoining state, or any public corporation
37 or special, judicial, or other public district of this state or an
38 adjoining state unless the subject matter of the contract is the
39 property in which the officer or employee has the interest as
40 landlord or tenant in which event his or her interest shall be deemed

1 a remote interest within the meaning of, and subject to, the
2 provisions of Section 1091.

3 (5) That of a tenant in a public housing authority created
4 pursuant to Part 2 (commencing with Section 34200) of Division
5 24 of the Health and Safety Code in which he or she serves as a
6 member of the board of commissioners of the authority or of a
7 community development commission created pursuant to Part 1.7
8 (commencing with Section 34100) of Division 24 of the Health
9 and Safety Code.

10 (6) Except as provided in Section 1091.7, that of a spouse of an
11 officer or employee of a public agency in his or her spouse's
12 employment or officeholding if his or her spouse's employment
13 or officeholding has existed for at least one year prior to his or her
14 election or appointment.

15 (7) That of a nonsalaried member of a nonprofit corporation,
16 provided that this interest is disclosed to the body or board at the
17 time of the first consideration of the contract, and provided further
18 that this interest is noted in its official records.

19 (8) That of a noncompensated officer of a nonprofit, tax-exempt
20 corporation, which, as one of its primary purposes, supports the
21 functions of the body or board or to which the body or board has
22 a legal obligation to give particular consideration, and provided
23 further that this interest is noted in its official records.

24 For purposes of this paragraph, an officer is "noncompensated"
25 even though he or she receives reimbursement from the nonprofit,
26 tax-exempt corporation for necessary travel and other actual
27 expenses incurred in performing the duties of his or her office.

28 (9) That of a person receiving salary, per diem, or reimbursement
29 for expenses from a government entity, unless the contract directly
30 involves the department of the government entity that employs the
31 officer or employee, provided that the interest is disclosed to the
32 body or board at the time of consideration of the contract, and
33 provided further that the interest is noted in its official record.

34 (10) That of an attorney of the contracting party or that of an
35 owner, officer, employee, or agent of a firm which renders, or has
36 rendered, service to the contracting party in the capacity of
37 stockbroker, insurance agent, insurance broker, real estate agent,
38 or real estate broker, if these individuals have not received and
39 will not receive remuneration, consideration, or a commission as
40 a result of the contract and if these individuals have an ownership

1 interest of less than 10 percent in the law practice or firm, stock
2 brokerage firm, insurance firm, or real estate firm.

3 (11) Except as provided in subdivision (b), that of an officer or
4 employee of, or a person having less than a 10-percent ownership
5 interest in, a bank, bank holding company, or savings and loan
6 association with which a party to the contract has a relationship
7 of borrower, depositor, debtor, or creditor.

8 (12) That of (A) a bona fide nonprofit, tax-exempt corporation
9 having among its primary purposes the conservation, preservation,
10 or restoration of park and natural lands or historical resources for
11 public benefit, which corporation enters into an agreement with a
12 public agency to provide services related to park and natural lands
13 or historical resources and which services are found by the public
14 agency, prior to entering into the agreement or as part of the
15 agreement, to be necessary to the public interest to plan for,
16 acquire, protect, conserve, improve, or restore park and natural
17 lands or historical resources for public purposes and (B) any officer,
18 director, or employee acting pursuant to the agreement on behalf
19 of the nonprofit corporation. For purposes of this paragraph,
20 “agreement” includes contracts and grants, and “park,” “natural
21 lands,” and “historical resources” shall have the meanings set forth
22 in subdivisions (d), (g), and (i) of Section 5902 of the Public
23 Resources Code. Services to be provided to the public agency may
24 include those studies and related services, acquisitions of property
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27 improvement, or restoration of park and natural lands or historical
28 resources.

29 (13) That of an officer, employee, or member of the Board of
30 Directors of the California Housing Finance Agency with respect
31 to a loan product or programs if the officer, employee, or member
32 participated in the planning, discussions, development, or approval
33 of the loan product or program and both of the following two
34 conditions exist:

35 (A) The loan product or program is or may be originated by any
36 lender approved by the agency.

37 (B) The loan product or program is generally available to
38 qualifying borrowers on terms and conditions that are substantially
39 the same for all qualifying borrowers at the time the loan is made.

1 (14) That of a party to a contract for public services entered into
 2 by a special district that requires a person to be a landowner or a
 3 representative of a landowner to serve on the board of which the
 4 officer or employee is a member, on the same terms and conditions
 5 as if he or she were not a member of the body or board. For
 6 purposes of this paragraph, “public services” includes the powers
 7 and purposes generally provided pursuant to provisions of the
 8 Water Code relating to irrigation districts, California water districts,
 9 water storage districts, or reclamation districts.

10 (b) An officer or employee shall not be deemed to be interested
 11 in a contract made pursuant to competitive bidding under a
 12 procedure established by law if his or her sole interest is that of
 13 an officer, director, or employee of a bank or savings and loan
 14 association with which a party to the contract has the relationship
 15 of borrower or depositor, debtor or creditor.

16 (c) This section shall become operative on January 1, 2017.

17 SEC. 3. Section 1091.7 is added to the Government Code, to
 18 read:

19 1091.7. (a) Notwithstanding any other law, a public officer
 20 who is an elected member of any state or local body, board, or
 21 commission shall be deemed to have a financial interest in a
 22 contract pursuant to this article, if that public officer’s spouse,
 23 child, parent, sibling, or the spouse of the child, parent, or sibling
 24 has a financial interest in any contract made by that public officer
 25 in his or her official capacity, or by any body, board, or commission
 26 of which that public officer is a member.

27 (b) (1) The determination of a financial interest with respect to
 28 any person described in this section shall be made according to
 29 the same standards as those set forth in this article with respect to
 30 the public officer, as applicable.

31 (2) For purposes of determining a financial interest pursuant to
 32 this section, an individual lobbying on behalf of a contracting party
 33 shall be construed to be an agent of that contracting party.

34 (c) This section shall become operative on January 1, 2017.

35 SEC. 4. No reimbursement is required by this act pursuant to
 36 Section 6 of Article XIII B of the California Constitution because
 37 the only costs that may be incurred by a local agency or school
 38 district will be incurred because this act creates a new crime or
 39 infraction, eliminates a crime or infraction, or changes the penalty
 40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within
2 the meaning of Section 6 of Article XIII B of the California
3 Constitution.

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