

GOVERNOR'S VETO  
AB 10 (Gatto)  
As Enrolled September 14, 2015  
2/3 vote

ASSEMBLY: 79-0 (June 2, 2015) SENATE: 40-0 (September 9, 2015)

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ASSEMBLY: 80-0 (September 10, 2015)

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Original Committee Reference: **E. & R.**

**SUMMARY:** Makes several significant changes to the Political Reform Act (PRA) of 1974. Specifically, **this bill:**

- 1) Increases the thresholds at which a public official's financial interest can potentially create a conflict of interest under the PRA, as follows:
  - a) From \$2,000 to \$10,000 for interests in real property;
  - b) From \$2,000 to \$5,000 for investments in a business entity; and,
  - c) From \$500 to \$1,000, for sources of income, other than gifts or specified loans.
- 2) Revises the monetary ranges that specified public officials or candidates, when filing a statement of economic interests (SEI), use to describe the value of their investments, interests in real property, and income.
- 3) Requires a public official or candidate who is required to disclose a business entity investment on his or her SEI because the official or candidate is a director, officer, partner, or trustee of the entity, to provide a thorough and detailed description of the entity's activities and disclose the names of all business partners who share a financial interest in the entity on the official or candidate's SEI, based on criteria established by the Fair Political Practices Commission (FPPC).
- 4) Requires a public official or candidate who is required to disclose his or her pro rata share of income to a business entity on an SEI to include a thorough and detailed description of the business activity of the business entity, instead of a general description of the entity's business activity.
- 5) Requires a public official who holds an office listed in Government Code Section 87200 to disclose on his or her SEI, as specified, each governmental decision for which a financial interest resulted in the official's disqualification from making, participating in making, or in any way attempting to use his or her official position to influence a governmental decision.

**The Senate amendments:**

- 1) Delete provisions of the bill that would have made behested payment reporting requirements applicable to candidates who are not elected officials, and to elected officials for a year after leaving office.

- 2) Provide that detailed descriptions of a business entity's activities and a disclosure of the names of business partners who share a financial interest in a business entity are not required to be included on an SEI if the business entity is publicly traded.
- 3) Add an additional disclosure tier on the SEI for describing the value of investments, interests in real property, and income.
- 4) Make technical and corresponding changes.
- 5) Add double-joining language to avoid chaptering problems with SB 21 (Hill) of the current legislative session.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, the FPPC indicates that this bill would result in a one-time General Fund cost of \$260,000. Ongoing costs would total about \$130,000 per year.

**COMMENTS:** According to the author, "AB 10... will modernize the financial interest thresholds that necessitate a public official excusing him or herself from a governmental decision. These numbers have been updated only once since 1974... It will include additional middle tiers and upper tiers in the financial disclosures on the FPPC's Form 700, ensuring that the public has a more accurate view of the financial holdings and potential conflicts of interest for their public officials... It will require a more detailed disclosure of these holdings, specifically a more thorough description of any businesses and the names of any business partners... It will add an additional disclosure to the Form 700 that requires public officials to specify any instances in the previous year where a financial interest has been cause for a recusal from being involved with or making a governmental decision."

As part of the PRA's comprehensive scheme to prevent conflicts of interest by state and local public officials, existing law identifies certain elected and other high-level state and local officials who must file SEIs. Similarly, candidates for those positions must file SEIs. Other state and local public officials and employees are required to file SEIs if the position they hold entails the making or participation in the making of governmental decisions that may foreseeably have a material financial effect on the decision maker's financial interests.

California voters passed an initiative, Proposition 9, in 1974 that created the FPPC and codified significant restrictions and prohibitions on candidates, officeholders and lobbyists. That initiative is commonly known as the PRA. Amendments to the PRA that are not submitted to the voters, such as those contained in this bill, must further the purposes of the initiative and require a two-thirds vote of both houses of the Legislature.

The Senate amendments delete provisions of the bill that would have expanded behested payment reporting requirements to candidates who are not elected officials and to elected officials for a year after leaving office. Additionally, the Senate amendments narrow the scope of information that must be disclosed on SEIs about businesses that are publicly traded, and further revise the monetary ranges used on the SEI to describe the value of investments, interests in real property, and income. This bill, as amended in the Senate, is consistent with Assembly actions.

**GOVERNOR'S VETO MESSAGE:**

This bill makes several changes to the Political Reform Act of 1974, including significant changes to reporting requirements on statements of economic interests.

The Political Reform Act already requires public officials to disclose their income, investments and business activities with enough particularity so that conflicts of interest can be identified.

This bill adds yet more complexity to existing reporting requirements without commensurate benefit, and I am not convinced that this bill will provide more useful information to the public.

**Analysis Prepared by:** Ethan Jones / E. & R. / (916) 319-2094

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