

## About Local Conflict of Interest Codes<sup>1</sup>

State law requires local agencies to adopt local conflict of interest codes. Having one's position included in a conflict of interest code (sometimes referred to as being a "designated employee") imposes affirmative obligations to disclose one's financial interests and makes one subject to other ethics rules.

### Disclosure

A local code specifies which positions in the agency must disclose their personal financial interests and what kinds of financial interests must be disclosed. Such disclosure occurs on a form called a "Statement of Economic Interests" or Form 700.

One of the purposes of this disclosure is to alert public officials and members of the public to the types of financial interests that may create conflicts of interests.

### Other Rules Applying to Employees Designated in Local Conflict of Interest Codes

In addition, under state law, designated employees are subject to rules

- May not receive payments (honoraria) for giving a speech or writing an article from reportable sources;<sup>2</sup>
- May not receive gifts totaling \$420 from reportable sources;<sup>3</sup>
- May not influence decisions in which they have a financial interest.<sup>4</sup>

Violations are subject to fines and other penalties.<sup>5</sup>

### About This Resource

This document is a service of the Institute for Local Government (ILG) whose mission is to promote good government at the local level with practical, impartial, and easy-to-use resources for California communities.

ILG is the nonprofit 501(c)(3) research and education affiliate of the League of California Cities and the California State Association of Counties. For more information and to access the Institute's resources on gift rules public officials go to <http://www.ca-ilg.org/GiftCenter>.

As part of its mission of promoting good government at the local level, the Institute tries to help local officials understand those rules.

These informational materials, however, are not legal advice. Attorneys can and do disagree on how to interpret the rules in this area. In addition, the rules can and do change over time.

Officials are encouraged to consult with an attorney or relevant regulatory authorities for up-to-date information and advice on specific situations.

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## References and Excerpts from Regulation Language

<sup>1</sup> For more information about local conflict of interest codes, visit the Fair Political Practices Commission Website: <http://www.fppc.ca.gov/index.php?id=228>)

<sup>2</sup> 2 Cal. Code of Regs. § 18730 (b)(8)(A) (“No . . . designated employee of a state or local government agency, shall accept any honorarium from any source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official. . . )

<sup>3</sup> 2 Cal. Code of Regs. § 18730 (b)(8.1)(A) (“No . . . designated employee of a state or local government agency, shall accept gifts with a total value of more than \$420 in a calendar year from any single source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.”)

<sup>4</sup> 2 Cal. Code of Regs. § 18730 (b)(9)(A) (“No designated employee shall make, participate in making, or in any way attempt to use his or her official position to influence the making of any governmental decision which he or she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on:

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(A) Any business entity in which the designated employee has a direct or indirect investment worth \$2,000 or more;

(B) Any real property in which the designated employee has a direct or indirect interest worth \$2,000 or more;

(C) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided to, received by or promised to the designated employee within 12 months prior to the time when the decision is made;

(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management; or

(E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating \$420 or more provided to, received by, or promised to the designated employee within 12 months prior to the time when the decision is made.

<sup>5</sup> 2 Cal. Code of Regs. § 18730 (b)(12) (“This code has the force and effect of law. Designated employees violating any provision of this code are subject to the administrative, criminal and civil sanctions provided in the Political Reform Act, Sections 81000-91014. In addition, a decision in relation to which a violation of the disqualification provisions of this code or of Section 87100 or 87450 has occurred may be set aside as void pursuant to Section 91003.”)

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