

CLIENT NEWS BRIEF

Recent Fines for Failure to Disclose Gifts on Form 700 Serve as a Reminder to Public Officials

The Fair Political Practices Commission (FPPC) is the state agency responsible for administering and enforcing California's Political Reform Act. (Gov. Code § 81000, et seq.) Recently, the FPPC has been active in issuing fines to local government officials for failing to report gifts of meals and ballgame tickets on their Statement of Economic Interests, also known as Form 700. Accordingly, now more than ever is a good time to review the Political Reform Act's disclosure requirements and to ensure proper reporting of income, business investments, real property, and gifts.

Some elected and appointed officials must file full disclosure of all economic interests. These officials are listed in Government Code section 87200 and include many elected local government officials, top administrators, and officials who manage public investments. In addition, the Political Reform Act requires that public employees holding designated positions listed in their agency's conflict of interest code file a Form 700. These "designated employees" are those who are involved in decision-making that may foreseeably have a material effect on the employee's financial interests.

Filers must disclose annually the required information on Form 700, within thirty days of assuming office, and within 30 days of leaving office. A candidate for an elective office must also file a Form 700.

Under the Political Reform Act, a gift is a payment or anything of value that provides a personal benefit when the recipient does not provide full payment or services in return for the value of the benefit received. Although there are many gift exceptions, the definition of a gift is broad and includes all types of meals, tickets, entertainment, and some forms of travel.

Filers must disclose gifts received from a single source totaling \$50 or more in value per calendar year. The Political Reform Act also places an annual limit on gifts received from a single source, which is currently \$440 per calendar year. The gift limit, however, will be adjusted starting January 1, 2015. Separate gifts received from the same source and during the same calendar year must be aggregated in value for reporting purposes.

Here are several practical tips to help with compliance:

1. Understand your disclosure obligation. Obtain your disclosure categories from your agency – they are located in your agency's conflict of interest code and are not contained in Form 700. Persons with broad decision-making authority must disclose more interests than those in positions with limited discretion. For example, you may be required to disclose only investments, business positions, income or gifts from businesses of the type that contract with your agency, or you may not be required to disclose real property interests. Not all economic interests are disclosed unless your agency's conflict of interest code specifies full disclosure.

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As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.

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2. A recipient of a gift is responsible for disclosing its fair market value. You can ask the donor for the value of the gift, but if it is unknown you must still give a good faith estimate.
3. Travel payments are complicated. Carefully determine disclosure obligations whenever a third party other than your employer pays for travel, even if it is business-related.
4. The gift and disclosure regulations contain many exceptions and special rules. Take some time to review the Fair Political Practices Commission fact sheets regarding Form 700, gifts, and other topics of interest. Consult FPPC staff or legal counsel as needed. Please note that one can amend Form 700 as often as necessary if inadvertent problems arise.

If a filer fails to properly disclose economic interests on Form 700, they can be subject to substantial fines and, in rare cases, criminal prosecution. As its recent activity demonstrates, the FPPC is likely to continue its scrutiny of public officials' gift disclosures.

If you have any questions regarding Form 700 reporting requirements or the Political Reform Act, please contact one of our [eight offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).