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Public Law Update - Senate Bill 1111 Expands the Definition of “Remote Interest” in a Contract Under Gov. Code Section 1091

On September 20, 2024, the Governor approved Senate Bill 1111, which will take effect on January 1, 2026, and amends Government Code Section 1091 to expand the definition of “remote interest” in the context of contracts entered into by public entity officers or by the body or board of which the officer is a member.

The law prohibits public entity officers from being financially interested in a contract made by them in their official capacity or by the body or board of which they are members, subject to specified exceptions. The law also identifies certain “remote interests” that are not subject to this prohibition if, among other things, the member or officer discloses that interest to the body or board, and the body or board approved the contract in good faith without counting the vote of the officer with the remote interest. A public entity officer may face criminal penalty if they willfully violate these provisions.

Under SB 1111, on and after January 1, 2026, the definition of “remote interest” set forth in Government Code Section 1091 will be expanded to include instances in which the public officer’s child is an officer or director of, or has an ownership interest of 10% or more in, a party to a contract entered into by the body or board of which the officer is a member, if this information is actually known to the public officer. By expanding the definition of “remote interest,” and the number of situations and relationships public officers must disclose on the record, SB 1111 creates new circumstances where public entity officers can potentially violate the law. Public entity officers must remember to always investigate any and all financial interests that may arise from contracts entered into by the public entities they serve.