

ETHICS COMMITTEE MEETING

May 29, 2014

Item 11: Independent Contractors/Consultants – Compliance with the Legislative Ethics Act

Background: Continuation from the January 23, 2014 meeting.

ITEMS IN THE PACKET

- April 30, 2014, legal opinion, LAA Legal, Dan Wayne: Independent Contractors and Consultants as Legislative Employees.
- LAA Research Report.
 - Summary Table.
 - Research Brief.
- May 13, 2014, legal opinion, LAA Legal, Dan Wayne: Clarification of statutory language in HB 127 (awaiting transmittal to the Governor), Personal Services Contracts with Ombudsman's office.
 - HB 127, Ombudsman's operation.
- January 23, 2014, Item 10, materials.

RESEARCH REQUEST

On March 3, 2014, a research request was submitted to Legislative Research. The request asked for the following information from at least 25 governmental bodies:

- Are independent contractors/consultants considered an employee for purposes of ethics compliance?
- Are independent contractors/consultants covered under separate statutory language for purposes of ethics compliance?
- If yes, what statutory ethics requirements apply?
- If only certain contractors/consultants are covered, what detailed criteria are used to make that determination?

Below is a recap of the research report:

TOTAL CATEGORY

7 Does not include independent contractors and/or consultants in definition of employee

3 Covers contractors under ethics laws with no separate distinction or qualification

ENTITY

Delaware, Florida, Iowa, Michigan, New York, Washington, West Virginia (relies on the definition of employee as determined by the IRS)

North Carolina (definition of legislative employee specifically includes consultants and counsel to either house), Pennsylvania,

(subject to "Contractor Integrity Provisions which requires compliance with state ethics laws), Indiana (Executive Branch subject to "Contractor and Executive Branch Lobbyist Ethics Training" course)

- | | | |
|---|---|--------------------------|
| 1 | Covers contractors under an Executive Order which requires state agencies to adopt standards of conduct for contractors & requires contractors to comply with "Plain Language Guide to Ethical Business Conduct" | New Jersey |
| 3 | Covers contractors if they perform a 'government function' | Idaho, Louisiana, Oregon |
| 2 | Covers contractors if they are subject to the control of the employer | Illinois, Nevada |
| 1 | Covers contractors who make or participate in government decisions | California |
| 1 | Covers contractors who work at least 40 hours a week for the Legislature | Alabama |
| 1 | Does not cover consultants; separate provision applies to contractors and consultants regarding confidentiality, acceptance of other state contracts, and accepting or giving anything of value that influences their actions | Connecticut |
| 1 | Includes contractors in the definition of Employee; a contractor may be considered an independent contractor dependent upon the terms, substance, and working relationship | Hawaii |
| 1 | Includes contractors who provide specialized services | Massachusetts |
| 1 | Includes consultants but not independent Contractors | Ohio |
| 1 | Does not cover independent contractors but includes contractors (vendors) doing business | Texas |

with the Procurement and Support Services
division

- 1 Places restrictions on vendors who have sold Rhode Island
goods or services during the preceding 24
months

LEGAL OPINION from LAA LEGAL

Requested February 5, 2014. The request asked the following: What options would be available to the committee to provide clarity to the statutory definition "legislative employee" as defined in AS 24.60.990(a)(11).

- **Option 1: Issue an advisory opinion.**
 - "... the committee could adopt definitions of those undefined terms [*independent contractor and consultant*], based on the commonly understood definition of the terms."
 - The committee may not create a new meaning for the definition of "legislative employee."
 - The committee may make the existing statutory definition more specific and which could allow the committee to find that some types of contractors or consultants are not subject to the Legislative Ethics Act because they are not legislative employees within the statutory definition.
- **Option 2: Recommend legislation.**
 - The committee determines the statute is simply too narrow to allow the exemptions the committee feels are appropriate.
 - Areas to consider if recommending legislation:
 - Clarifying the definition of "legislative employee."
 - Defining "independent contractor" and "consultant."
 - Limiting the Act's applicability to independent contractors and consultants. (Similar to statutory language for legislative interns and volunteers.)
 - Creating a separate statutory section for independent contractors and consultants that specify which provisions of the Act apply.

Staff Recommendation: Staff recommends Option 2, statutory change. Staff recommends creating a new statutory section limiting the Act's applicability to "independent contractors" and "consultants." The committee under AS 24.60.150(b)(1) may "recommend legislation to the legislature the committee considered desirable or necessary to promote and maintain high standards of ethical conduct in government."

The committee should keep in mind that ethics legislation always opens up the entire Act to other changes.

Discussion: Committee discussion of pros and cons of moving forward under Option 1 or Option 2. Some questions to consider:

- Should independent contractors and consultants be considered ‘legislative employees?’
- What parameters of the Act should apply to independent contractors and consultants?

Action: Committee determines a course of action and makes specific recommendations for changes.

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MEMORANDUM

April 30, 2014

SUBJECT: Independent contractors and consultants as legislative employees under the Legislative Ethics Act (Work Order No. 28-LS1417)

TO: The Select Committee on Legislative Ethics
Attn: Joyce Anderson
Administrator

FROM: Dan Wayne
Legislative Counsel

You have asked whether the Select Committee on Legislative Ethics (committee) may issue an advisory opinion seeking a statutory change, or take some other action to establish new criteria to use to determine whether an independent contractor or consultant is a legislative employee and therefore subject to the Legislative Ethics Act.

Generally, the Legislative Ethics Act applies to legislators, legislative employees, and public members of the committee.¹ As you know, certain independent contractors and consultants are included in the definition of legislative employee. The current statutory definition of "legislative employee" reads:

(11) "legislative employee" means a person, other than a legislator, who is compensated by the legislative branch in return for *regular or substantial personal services*, regardless of the person's pay level or technical status as a full-time or part-time employee, *independent contractor, or consultant*; it includes public members and staff of the committee; it *does not include individuals who perform functions that are incidental to legislative functions, and other employees designated by the committee*;^[2]
[Emphasis added.]

¹ AS 24.60.020.

² Legislative interns and volunteers are not included in the definition of "legislative employee" in AS 24.60.990(a)(11), however, AS 24.60.112 provides that "[A] legislative intern or legislative volunteer shall be considered to be a legislative employee for purposes of compliance with AS 24.60.030 - 24.60.039, 24.60.060, 24.60.080, 24.60.085, 24.60.158 - 24.60.170, 24.60.176, and 24.60.178." In addition, AS 24.60.155 provides that a legislative intern or legislative volunteer who serves 30 days or more in one legislature shall complete a legislative ethics course.

This definition includes independent contractors or consultants if they are compensated for "regular and substantial personal services," that are more than merely incidental to legislative functions. These qualifiers are apparently designed to exclude one-time or short-term contracts for a minimal amount of personal services unrelated to legislative functions. The definition also grants the committee authority to designate employees who are excluded from the definition of "legislative employee" and therefore exempt from the Act.

The statute does not clarify how the committee would designate those not included in the definition. Presumably, the committee could express the designation of employees exempt from the definition and the Act by issuing an advisory opinion.

Option: issue advisory opinion

Under AS 24.60.170(a) the committee may initiate an advisory opinion as to whether the "facts and circumstances of a particular case" constitute a violation of ethical standards. In the past, the committee has based advisory opinions on actual or hypothetical facts and circumstances, and the committee could do so in this instance. In AO 99-01, the committee applied the definition of "legislative employee" to create a test that the committee can use to determine if an independent contractor or consultant is a legislative employee as defined by the Act. However, because the Act defines "legislative employee" to include independent contractors and consultants, the test only partially addresses the committee's more recent concerns related to independent contractors and consultants.³ If the committee were to issue another advisory opinion on this subject based on the current definition of "legislative employee" the statutory definition may not be flexible enough to give the committee authority to conclude that certain types of independent contractors or consultants are exempt from the requirement of the Act because they are not legislative employees. However, the term "independent contractor" and "consultant" both appear in the definition of "legislative employee" and are undefined. As the committee has done in other advisory opinions, the committee could adopt definitions of those undefined terms, based on the commonly understood definitions of the terms.⁴ The committee may not create a new meaning for the definition of "legislative employee," but they may make the existing statutory definition more specific and which could allow the committee to find that some types of contractors or consultants are not subject to the Legislative Ethics Act because they are not legislative employees within the statutory definition.

³ These concerns were discussed at the committee's meeting on January 23, 2014.

⁴ The committee acted similarly in AO 13-02 and AO 13-04, relying on dictionary definitions of terms as recommended by the Alaska Supreme Court in *Alaskans for Efficient Government, Inc. v. Knowles*, 91 P.3d 273, 276 n. 4 (Alaska 2004), quoting *2A Norman J. Singer, Sutherland Statutory Construction* sec. 47.28 (6th ed. 2000). As noted in those advisory opinions, there are legal limitations on the breadth of committee's latitude in fashioning its own definitions of terms that are undefined in a statute.

Option: recommend legislation

If the statute is simply too narrow to allow the exemptions the committee feels are appropriate, the committee may choose to "recommend legislation to the legislature the committee considers desirable or necessary to promote and maintain high standards of ethical conduct in government."⁵ The committee may find that legislation clarifying the definition of "legislative employee," defining "independent contractor" and "consultant," or limiting the scope of the Act's applicability to independent contractors and consultants (perhaps as AS 24.60.112 does for legislative interns and volunteers) would help promote and maintain high standards of ethical conduct in the legislative branch. For example, legislation that removes independent contractors and consultants from the Act's definition of "legislative employee" and puts them in a separate section of the Act could specify provisions of the Act that apply to them. This approach might make it easier for the committee to administer the Act with respect to independent contractors and consultants, since only limited and specific provisions of the Act would apply.

I do not have a recommendation regarding which of the two options discussed in this memo is best, but in my opinion they are the only two options available to the committee. Please do not hesitate to contact me if you wish me to provide a draft advisory opinion for the committee to consider, or draft language for the committee to recommend as legislation.

DCW:lnd
14-074.lnd

⁵ 24.60.150(b)(1).

| Consultants and Independent Contractors Subject to State Ethics Law in Selected States | | | | | | | | | |
|--|-----------------------------|---|--------|------|--|-------|--------------------|-------------------------|---|
| Regulating Entity | Cover Contractors Y/N | Citation | Branch | | Conflict of Interest | Gifts | Ethics Training | Financial Disclosure | Notes |
| | | | Exe. | Leg. | | | | | |
| Alabama Ethics Commission | Y | Code of Ala. § 36-25 | Y | Y | Y | Y | Y | N | Contractors who work at least 40 hours a week for the Legislature, or a state or local government agency are generally considered to be public employees and subject to the Alabama ethics laws. Ethics training is mandatory only for those public employees who are required to file a statement of economic interest. |
| California Fair Political Practices Commission | Y | Cal Gov Code Tit. 9 | Y | Y | Y | Y | Y | Y | The definitions of agency and legislative employees include consultants who make or participate in governmental decisions. Such consultants are subject to relevant ethics laws, including financial disclosure. |
| Connecticut Ethics Commission | Y | Conn. Gen. State. Title 1, Ch. 10; Conn. Gen. Stat. § 1-86e | Y | Y | Y | Y | N | N | For most purposes a consultant is neither a public nor state official and therefore not subject to the Ethics Code. However, one provision applies to contractors and consultants and prohibits the consultant's use of confidential information, the acceptance of other state contracts which would impair their independent judgment, or the acceptance or giving of anything of value that influences the consultant's actions. |
| Delaware Public Integrity Commission | N | 29 Del. C. § 58 | Y | Y | Contractors not covered by state ethics law. | | | | |
| Florida Commission on Ethics | N | Fla. Stat. § 112.311 et seq. | Y | Y | Contractors not covered by state ethics law. | | | | |
| Georgia Government Transparency and Campaign Finance Commission | Y | O.C.G.A. 45-1-6G | Y | Y | N | Y | N | N | Independent contractors are not defined as public employees, but contractors are subject to the vendor disclosure law. |
| Hawaii State Ethics Committee | Y | HRS § 84 | Y | Y | Y | Y | N | N | The definition of employees subject to the Ethics Code include those under contract to the State. Depending on the substance and terms of the contract and the working relationship, however, the contractor may not be considered an employee but an independent contractor. |
| Idaho Office of the Attorney General | Y | Idaho Code § 18-1351 Idaho Code § 59-7 | Y | Y | Y | Y | Y | N | Ethics laws apply to consultants performing a governmental function based on the definitions of public servant and public officials. |
| Illinois Executive Ethics Commission | Y | 5 ILCS 430/1 et seq. | Y | Y | Y | Y | Y | N | The definition of employee includes persons employed pursuant to a contract and whose employment duties are subject to the control of the employer. |

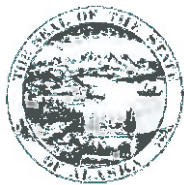
| Consultants and Independent Contractors Subject to State Ethics Law in Selected States | | | | | | | | | |
|--|-----------------------|--|--------|------|--|-------|-----------------|----------------------|---|
| Regulating Entity | Cover Contractors Y/N | Citation | Branch | | Conflict of Interest | Gifts | Ethics Training | Financial Disclosure | Notes |
| | | | Exe. | Leg. | | | | | |
| Indiana Office of Inspector General | Y | 42 IAC 1-5-1 et seq. 42 IAC 1-4-1 | Y | N | Y | Y | Y | N | Executive branch contractors and consultants are subject to the Indiana Ethics Code. Individuals who have a business relationship with the State of Indiana must take the Contractor and Executive Branch Lobbyist Ethics Training course. |
| Iowa Ethics and Campaign Disclosure Board | N | Iowa Code § 68B | Y | Y | Contractors not covered by state ethics law. | | | | |
| Louisiana Ethics Administration | Y | R.S. 42:1102 R.S. 42:1170 | Y | Y | Y | Y | Y | N | Consultants and independent contractors are not subject to the Ethics Code. The definition of state and local employees specifically excludes independent contractors. |
| Massachusetts State Ethics Commission | Y | ALM GL ch. 268A | Y | Y | Y | Y | Y | N | Consultants and contractors who perform a governmental function are public employees and subject to the Code of Governmental Ethics. |
| Michigan State Board of Ethics | N | MCL § 15.341 et seq. | Y | N | Contractors not covered by state ethics law. | | | | |
| Nevada Commission on Ethics | Y | NRS 281A | Y | Y | Y | Y | N | N | Some consultants and contractors may be considered public employees and subject to ethics laws. Consultants who provide specialized services are more likely to be considered public employees than are employees of firms that provide goods or non-specialized services agencies. |
| New Jersey State Ethics Commission | Y | Executive Order No. 189 | Y | N | Y | Y | N | N | The law applies to classified and non-classified employees only and does not include independent contractors or consultants. |
| New York State Joint Commission on Public Ethics | N | NY CLS Pub O § 73 NY CLS Pub O § 74 | Y | Y | Contractors not covered by state ethics law. | | | | |
| North Carolina State Ethics Commission | Y | N.C. Gen. Stat. § 138A N.C. Gen. Stat. § 120C | Y | Y | Y | Y | Y | N | Depending on the terms of the contract, a consultant or contractor who is under the direction of a public officer could be considered a public employee. |
| Ohio Ethics Commission | Y | R.C. § 102 R.C. § 2921.01 R.C. § 2921.43 | Y | Y | Y | Y | N | N | The Conflict of Interest Law does not directly govern independent contractors hired by the state. Executive Order No. 189 requires state agencies to adopt standards of conduct for contractors and requires contractors to comply with the Plain Language Guide to Ethical Business Conduct. |
| | | | | | | | | | Consultants and independent contractors are not considered employees and therefore are not covered under the State Ethics Act. |
| | | | | | | | | | Consultants and contractors are subject to the Government Ethics Act. The definition of legislative employee specifically includes consultants and counsel to committees of either house of the General Assembly or legislative commissions. |
| | | | | | | | | | Generally, independent contractors are not considered to be public employees or officials under the ethics law. Consultants are, however, included in the definition of public servant and, therefore are prohibited from receiving compensation from any party, other than the public entity he or she serves. |

Consultants and Independent Contractors Subject to State Ethics Law in Selected States

| Regulating Entity | Cover Contractors Y/N | Citation | Branch | | Conflict of Interest | Gifts | Ethics Training | Financial Disclosure | Notes |
|---|-----------------------|--|--|------|----------------------|-------|-----------------|----------------------|---|
| | | | Exe. | Leg. | | | | | |
| Oregon Government Ethics Commission | Y | ORS § 244; OAR 199-005-0035(7) | Y | Y | Y | Y | N | N | Private contractors who perform governmental functions or responsibilities on behalf of the government become public officials and are subject to ethics laws. |
| Pennsylvania State Ethics Commission | Y | 65 Pa. C.S. § 11 65 Pa C.S. § 13A. | Y | Y | Y | Y | N | N | Contractors are subject to Contractor Integrity Provisions, which require compliance with state ethics laws and provisions in the Campaign Finance and Lobbying Disclosure Act. |
| Rhode Island Ethics Commission | Y | R.I. Gen. Laws § 36-14 | Y | Y | N | N | N | N | The Ethics Code prohibits state vendors from providing goods or services for less than fair market value for the personal use of a state procurement official if the vendor has sold goods or services during the preceding 24 months to the respective state agency. |
| Texas Ethics Commission | Y | Tex. Gov't. Code § 2155.003 1 TAC § 111.4 | Y | Y | Y | Y | N | N | Independent contractors are not included in the definition of state employees; however, the Commission administers and enforces ethics laws for contractors (vendors) that do business with the Texas Procurement and Support Services division. |
| Washington State Executive Ethics Board | N | Rev. Code Wash § 42.52 | Contractors not covered by state ethics law. | | | | | | |
| West Virginia Ethics Commission | N | W. Va. Code § 68 | Contractors not covered by state ethics law. | | | | | | |

Notes: We describe how state ethics laws relate to independent contractors and consultants in 25 states. This is not a definitive account of all ethics laws that may exist in these states that impact contractors or consultants.

Sources: Alabama, <http://ethics.alabama.gov/default2.aspx>; California, <http://www.fppc.ca.gov/>; Connecticut, <http://www.ct.gov/ethics/site/default.asp>; Deborah Moreau, Delaware Public Integrity Commission, 302.739.2399; Florida, <http://www.ethics.state.fl.us/>; Georgia, <http://ethics.ga.gov/>; Hawaii, <http://ethics.hawaii.gov/>; Idaho, <http://www.ig.idaho.gov/index.html>; Illinois, <http://www.iga.gov/legislation/llcs/llcs3.asp?ChapterID=2&ActID=2529>; Indiana, <http://www.in.gov/ig/>; Iowa, <http://www.iowa.gov/ethics/>; Louisiana, <http://www.ethics.state.la.us/>; Massachusetts, <http://www.mass.gov/ethics/>; Michigan State Board of Ethics, 517.373.3644; Nevada, <http://ethics.nv.gov/>; New Jersey, <http://www.state.nj.us/ethics/>; New York, <http://www.jcopc.ny.gov/>; North Carolina, <http://test.ethicscommission.nc.gov/index.htm>; Ohio, <http://www.ethics.ohio.gov/index.shtml>; Oregon, <http://www.oregon.gov/OGEC/Pages/index.aspx>; Pennsylvania, <http://www.ethics.state.pa.us/portal/server.pt/community/home/8992>; Rhode Island, <http://www.ethics.ri.gov/>; Texas, <http://www.ethics.state.tx.us/index.html>; Washington, <http://www.ethics.wa.gov/>; West Virginia, <http://www.ethics.wv.gov/Pages/default.aspx>.



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Research Brief

TO: Joyce Anderson, Administrator
FROM: Susan Haymes, Legislative Analyst
DATE: April 28, 2014
RE: Consultants and Independent Contractors Subject to State Ethics Laws
LRS Report 14.298

You asked about laws governing ethics compliance and training for consultants and independent contractors. Specifically, you wished to know if consultants and contractors are considered public employees and subject to state ethics laws or if they are subject to ethics compliance through different laws. You asked for examples from 25 state governmental bodies.

State ethics laws seek to prevent conflict between private interests and public duties, foster integrity in public service, and promote the public's trust and confidence in that service by placing restrictions on what state employees and officials may do on the job, after hours, and after leaving public service. Typically, ethics laws include provisions for activities related to conflict of interests, gifts, use of confidential information, financial disclosure, and post-employment. Most states have an ethics commission or board that administers and enforces state ethics laws.¹ The commissions may have jurisdiction over public officials and employees from more than one branch of government—for example, legislators, legislative employees, executive branch officials, state employees, candidates, judicial officials, local officials, lobbyists, and contractors. Thus, not all provisions of an ethics law may necessarily apply to all public officers and employees, and some apply primarily to the interaction of private individuals and entities with public officers. In addition to a States Ethics Act, some states also require each state department to develop a code of conduct for employees. For example, state procurement offices often include codes of conduct in contracts with vendors.

Each state's law defines terms such as *public employee*, *state employee*, *public officer*, and *public official* to indicate who is covered under the various ethics provisions. For example, most states require some form of personal financial disclosure for public officers, including candidates, elected public officials, and certain appointed public officers, but generally not for most public or state employees.

With regard to consultants and independent contractors, we researched ethics laws and advisory opinions from 25 states, spoke with ethics staff from numerous states, and requested relevant information from the National Conference of State Legislatures (NCSL).² For the purposes of this report, we focus primarily on whether contractors and consultants are subject to state ethics laws governing public employees and officials. However, we also include examples from states that have enacted ethics codes specifically for contractors or vendors. For example, in Georgia, contractors are not considered public employees and are thus not subject to the State Ethics Act, but are subject to a Vendor Disclosure Law. In Pennsylvania, contractors are not public employees but are subject to Contractor Integrity Provisions, which cite sections in the Public Officials and Ethics Act.

¹ States that do not have an ethics commission include Arizona, Idaho, New Mexico, North Dakota, South Dakota, Vermont, Virginia, and Wyoming.

² As you know, state and local governments offer contracts for many goods and services. Most contracts are awarded through a process of competitive bidding. Two common exceptions to competitive bidding are for professional services and sole sources. Competitive bidding is usually not required for professional services that generally involve specialized expertise, use of professional judgment, or a high degree of creativity in the performance of the contract.

Some states, such as Iowa, specifically exclude contractors in its definition of state employees. Other states—such as California, Hawaii, Idaho, Indiana, Louisiana, Massachusetts, and North Carolina—specifically include contractors or consultants in definitions of state or public employees. Most of these states do not consider all contractors subject to ethics laws, but only those contractors who are performing a governmental function, such as providing specialized expertise to help define policies or draft laws. In other cases, whether a person is defined as an independent contractor or public employee often depends upon the specific circumstances of the contract. For example, some states, such as Illinois and Nevada, consider consultants or contractors who are under the direction of or subject to the control of a state official to be subject to the state Ethics Act. In 17 of the 25 states, consultants and independent contractors are subject to the state ethics law in some fashion.

In the following pages we describe ethics laws from each of the 25 states whose laws we reviewed and how they relate to independent contractors and consultants (emphasis added).³ This, of course, is not a definitive account of all ethics laws that may exist in these states that impact contractors or consultants. We also provide a summary of the information we found in the attached table. When contractors and consultants are subject to state ethics law, we indicate whether they are subject to conflict of interest provisions, gift restrictions, or financial disclosure provisions. We also indicate whether ethics training is required for contractors.

Alabama

The Alabama Ethics Commission administers and enforces the state's ethics law, which apply to the executive and legislative branches of government, as well as to local government officials.⁴ The definition of *public employee* is as follows:

Any person employed at the state, county, or municipal level of government or their instrumentalities, including governmental corporations and authorities, but excluding employees of hospitals or other health care corporations including contract employees of those hospitals or other health care corporations, who is paid in whole or in part from state, county or municipal funds. **For purposes of this chapter, a public employee does not include a person employed on a part-time basis whose employment is limited to providing professional services other than lobbying, the compensation for which constitutes less than 50 percent of the part-time employee's income.**⁵

According to Hugh Evans, General Counsel for the Alabama Ethics Commission, generally, a contractor or consultant who works 40 hours a week for a single entity is considered a public employee.⁶ However, he noted that such determinations are fact-specific and may vary depending on the circumstances. The Commission offers ethics training for all public employees. However, ethics training is only mandatory for lobbyists, legislators, and public officials and public employees who are required to file a statement of economic interests (Code of Ala. § 36-25-14).⁷ The Alabama Ethics Law prohibits public employees from using an official position for personal gain or accepting gifts from lobbyists. Any person who enters a

³ The 25 states are Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Washington, and West Virginia.

⁴ More information on the Alabama Ethics Commission and the Alabama Ethics Law can be accessed at <http://ethics.alabama.gov/default2.aspx>.

⁵ Code of Ala. § 36-25-1(26).

⁶ Mr. Evans can be reached at 334.242.3747.

⁷ All elected public offices, candidates, members of the Alabama Ethics Committee, public employees whose base pay is at least \$75,000 annually, and fire chiefs, among others, are required to file a statement of economic interests.

contract with the State of Alabama or any county or municipality in an amount exceeding \$7,500 must report to the commission the names of any adult child, parent, spouse, brother, or sister who is a public official or public employee (Code of Ala. § 36-25-16).

California

The California Fair Political Practices Commission (FPPC) administers and enforces the Political Reform Act, which sets ethics rules for state and local government officials, including rules regulating conflict of interest, gifts, and post-government employment (Cal Gov Code Title 9). The FPPC also regulates campaign financing and spending and lobbyist registration and reporting.⁸

The Political Reform Act defines *agency official* as any member, officer, **employee or consultant of any state agency** who as “part of his official responsibilities participates in any administrative action in other than a purely clerical, secretarial or ministerial capacity.”⁹ Similarly, *legislative official* means **any employee or consultant of the Legislature** whose duties are not solely secretarial, clerical, or manual (Cal Gov Code § 82038). The FPPC has determined that these definitions do not include every consultant retained by state agencies and the Legislature, but are instead limited “to those persons who participate in governmental decisions, and who may be influenced improperly by the actions of lobbyists and their employers.”¹⁰

In *Morrissey*, Advisory Opinion No. 75-120, the FPPC faced the question of whether the term “consultant” refers only to an employee of the State having that job title, or whether it also includes a person who provides consultation services to the Legislature or a state agency under independent contract. The FPPC determined that a consultant who furnishes information, advice, recommendation, or counsel to an agency or the Legislature, but who functions independently of the agency and does not possess authority with respect to any government decisions, is not an agency official or a legislative official.

Under the Political Reform Act all public agencies are required to adopt a conflict-of-interest code. The code must, among other things, designate positions required to file Statements of Economic Interests and assign disclosure categories specifying the types of interests to be reported. In September 2011, the FPPC adopted Form 805 for agencies to document filing requirements for persons serving as consultants who make or participate in governmental decisions. We include a copy of Form 805 as Attachment B.

California law requires state officials to complete an ethics training course within six months of hire and every two years thereafter. The Office of the California Attorney General provides ethics training for state and local officials.

Connecticut

The Connecticut Office of State Ethics (Office) is charged with administering ethics laws and providing education, guidance and advice to state employees, public officials, lobbyists, and legislators.¹¹ The Code of Ethics for Public Officials applies to public officials and state employees (Conn. Gen. Stat. Title 1, Ch. 10). Just one provision of the Ethics Code applies to consultants or independent contractors. This provision (Conn. Gen. Stat. § 1-86e) prohibits a consultant’s use of confidential information,

⁸ More information on the FPPC can be accessed at <http://www.fppc.ca.gov/>.

⁹ Cal Gov Code § 82004.

¹⁰ *Opinion Re: Morrissey*, No. 75-120, August 3, 1976. We include the opinion as Attachment A.

¹¹ More information on the Connecticut Office of State Ethics and state ethics laws can be accessed at <http://www.ct.gov/ethics/site/default.asp>.

the acceptance of other state contracts which would impair his or her independent judgment, or the acceptance or giving of anything of value that influences the consultant's actions. We identified several advisory opinions, which we include as Attachment C that provide interpretations of § 1-86e. For example, Advisory Opinion 1997-22 found that when consultants or independent contractors are faced with decisions involving their or their families' financial interest, they must notify the contracting state agency to approve or disapprove of the action. Advisory Opinion 1999-14 notes that "the application of § 1-86e to independent contractors and consultants is not intended to interfere with their business, but rather to prevent a private entity from using state money to, for example, hire immediate family members without appropriate oversight."

In Connecticut, ethics training is mandatory for public officials, which include state-wide elected officers, legislators, and Governor's appointees, among others (Conn. Gen. Stat. § 1-81c). The Office of State Ethics also offers in-person and online ethics training for state employees, lobbyists, state contractors, and other interested groups. In addition, each state agency has its own ethics policy which may be more restrictive than the Office of State Ethics. For example, the State Contracting Standards Board requires state employees involved in procurement and certain prequalified state contractors and "substantial subcontractors" to take the ethics training course (Conn. Gen. Stat. § 4e-4[h][2]).

Delaware

The Delaware Public Integrity Commission administers and implements the State Employees', Officers and Officials' Code of Conduct for the executive branch, financial disclosure laws for the executive, judicial, and legislative branches, and lobbyists' registration and expense reporting laws (29 Del. C. § 58). According to the Commission's Legal Counsel, Deborah Moreau, the definition of state employee or state officer does not include independent contractors or consultants, and therefore they are not subject to the ethics law (29 Del. C. § 5804).¹²

Florida

The Florida Commission on Ethics administers the Code of Ethics for Public Officers and Employees, which applies to public officers, employees, candidates, lobbyists, and others in Florida state and local government, with the exception of judges (Fla. Stat. § 112.311, *et seq.*). The Commission on Ethics has issued several opinions on the status of consultants and contractors under ethics laws. Generally, the commission has found that independent contractors are not salaried employees and, therefore, are not considered public employees or officers and are outside the purview of state ethics laws.¹³ The opinions distinguish between an employee and independent contractor based on two main factors: whether the contractor has an independent business or occupation, and whether the contractor is subject to the control of the employer as to manner or detail of the performance of the contracted work.¹⁴

Georgia

The Georgia Government Transparency and Campaign Finance Commission administers and enforces the Transparency and Campaign Finance Act, which applies to the executive, legislative, and judicial branches of government (O.C.G.A. 21-5-1 *et seq.*). According to Holly LaBerge, Executive Secretary, while contractors and consultants are not public employees and

¹² Ms. Moreau can be reached at 302.739.2399.

¹³ We include advisory opinions, CEO 74-6, CEO 77-132, and CEO 14-05 as Attachment D.

¹⁴ The opinions cite Am. Jur. 2d Independent Contractors s. 1, 1968, which defines an independent contractor as "One who, in exercising an independent employment, contracts to do certain work according to his own methods, without being subject to the control of his employer as to manner or detail of performance of the contracted work."

subject to the ethics act, they are subject to the Vendor Disclosure Law, which is also administered by the Commission. A vendor is any person who sells to or contracts with any state agency for the provision of any goods or services.¹⁵

The vendor disclosure law requires the following:

Any vendor who, either directly or through another person, makes a gift or gifts to one or more public employees exceeding in the aggregate \$250.00 in value during any calendar year shall file a disclosure report with the commission in the form specified by the commission listing the amount and date of receipt, the name and mailing address of any vendor making the gift, and the name, address, and position of each public employee receiving such a gift.¹⁶

Hawaii

The Hawaii State Ethics Commission administers the State Ethics Code (HRS § 84) and the Lobbyists Law (HRS § 97). The State Ethics Code governs elected officers and public employees of the State. Under the Ethics Code, *employee* means

any nominated, appointed, or elected officer or employee of the State, including members of boards, commissions, and committees, and **employees under contract to the State** or of the constitutional convention, but excluding legislators, delegates to the constitutional convention, justices and judges.¹⁷

The Ethics commission has interpreted this definition to mean that a state employee may be someone hired under contract to the State; however, not all contractors or consultants are necessarily employees of the State. The Commission has addressed this issue on a case-by-case basis. For example, in Advisory Opinion No. 89-2, the Ethics Commission determined that an attorney who had contracted with a state board to review and revise its regulations was not an employee and therefore not subject to the Ethics Code.¹⁸ In its decision, the Commission considered the substance and terms of the contract as well as the person's actual working relationship with the agency. The Commission noted the attorney was engaged in a business, she was required to provide her own facilities, supplies, and support staff, and the length of time of her contract was 40 hours over a three-month period. All of these factors indicated the attorney was an independent contractor and not an employee.

Contractors and consultants who are considered to be employees are subject to the Ethics Code, which prohibits legislators and employees from accepting gifts that are intended to reward or influence the legislator or employee (HRS § 84-11). They are also required to file a gifts disclosure statement each year under certain conditions (HRS § 84-11.5) and are subject to conflict of interest rules (HRS § 84-14).

Hawaii requires mandatory ethics training for legislators, members of the board of education, trustees of the offices of Hawaiian affairs, the governor, the lieutenant governor, and executive department heads and deputies, but not to any other officer or employee of the State (HRS § 84-41).

¹⁵ Ms. LaBerge notes that other Georgia state agencies may have ethics rules regarding contractors and consultants. Ms. LaBerge can be reached at 404.463.1980.

¹⁶ O.C.G.A. 45-1-6G. More information on the vendor disclosure law is available at <http://ethics.ga.gov/filer-information/vendor-gift-disclosures/>.

¹⁷ HRS § 84-3.

¹⁸ We include a copy of Opinion No. 89-2 as Attachment E.

Idaho

While Idaho does not have an independent ethics commission or board, the Office of the Attorney General provides external oversight on ethics issues. Three primary statutes govern ethics in Idaho government: the Bribery and Corrupt Influence Act (Idaho Code § 18-1351, *et seq.*), the Prohibition against Contracts with Officers Act, and the Ethics in Government Act (Idaho Code § 59-7). The Bribery and Corrupt Influence Act regulates the conduct of public servants in potential problem areas, including conflicts of interest and nepotism. Unless otherwise stated, the Bribery Act applies to all *public servants*, defined as follows:

any officer or employee of government, including legislators and judges, **and any person participating as juror, advisor, consultant or otherwise, in performing a governmental function,** but the term does not include witnesses.¹⁹

The Ethics in Government Act applies to all *public officials*. An employed public official is defined as follows:

any person holding public office of a government entity by virtue of employment, or a **person employed by a governmental entity on a consultative basis.**²⁰

As is the case in California, consultants who perform a governmental function are subject to Idaho's ethics laws.

Illinois

The Illinois State Officials and Ethics Act applies to the executive and legislative branches of government (5 ILCS 430/1, *et seq.*).²¹ The Illinois Executive Ethics Commission enforces the Ethics Act for all employees of the Executive Branch of state government. The Office of the Legislative Inspector General enforces the Ethics Act for members of the General Assembly and state employees who are employed by a legislative member, the Senate Operations Committee, or the Joint Committee on Legislative Support Services.

Under the Ethics Act, an *employee* means

any person employed full-time, part-time, **or pursuant to a contract and whose employment duties are subject to the direction and control of an employer with regard to the material details of how the work is to be performed** or (ii) any appointed or elected commissioner, trustee, director, or board member of a board of a State agency, including any retirement system or investment board subject to the Illinois Pension Code or (iii) any other appointee.²²

Similar to practices of other states, the consultant's or contractor's status as an employee or independent contractor depends on the working relationship with the state agency. The Ethics Act prohibits State employees, legislators and officers from soliciting or accepting gifts, with certain exceptions (5 ILCS 430/10), and from engaging in prohibited political activities during

¹⁹ Idaho Code § 59-7.

²⁰ Idaho Code § 59-703(10)(d).

²¹ The Illinois State Officials and Employees Ethics Act can be accessed at <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ChapterID=2&ActID=2529>.

²² 5 ILCS 430/1-5.

working hours (5 ILCS 430/5-15). All State of Illinois employees, including full-time, part-time, and contracted employees and appointees are required to complete annual ethics trainings (5 ILCS 430/5-10).²³

Indiana

The Indiana Office of Inspector General investigates criminal and ethics violations by state employees, writes the Indiana Code of Ethics, staffs the State Ethics Commission, and educates and advises state workers on the Code of Ethics (42 IAC 1-5-1, *et seq.*). In addition to state officers and employees, the Indiana Code of Ethics applies to contractors and consultants. For purposes of the Ethics Act, an *employee* means

an individual who is employed by an agency on a full-time, a part-time, a temporary, an intermittent, or an hourly basis. **The term includes an individual who contracts with an agency for personal services.**²⁴

Under the section of the Ethics Code providing for ethics training, contractors are specifically included as follows:

All state officers, employees, and special state appointees shall be properly trained in the code of ethics as described in this article. **All persons who have a business relationship with a state agency are obligated to abide by the code of ethics.**²⁵

All contractors and consultants are required to take the Contractor and Executive Branch Lobbyist Ethics Training course.²⁶ The Indiana Ethics Code, with certain exceptions, prohibits state employees from accepting or soliciting gifts, divulging confidential information, and engaging in bribery and conflict of interest activities, and also restricts certain post-employment activities.

Iowa

The Iowa Government Ethics and Lobbying Act governs the executive and legislative branches of government (Iowa Code § 68B). The Iowa Ethics and Campaign Disclosure Board administers the Ethics Act for executive branch officials, employees, candidates for statewide office, and executive branch lobbyists. The conduct of members and persons connected with the General Assembly is regulated by the standing Ethics Committees in each house, which in addition to the Ethics Act have adopted their own ethics rules.

Iowa law specifically excludes contractors from the definition of *state employee* as follows:

A person who is not an official and is a paid employee of the state of Iowa and **does not include an independent contractor**, an employee of the judicial branch who is not an employee of the office of attorney general, an employee of the general assembly, an employee of a political subdivision of

²³ More information on Illinois ethics training can be accessed at <https://www2.illinois.gov/eec/Pages/faq.aspx>.

²⁴ IC 4-2-6-1(9). Indiana legislators are governed by the Indiana Code of Legislative Ethics, which is enforced by the House ethics committee and Senate ethics committees (IC 2-2.1-3, IC 2-7-2, and IC 35-44).

²⁵ 42 IAC 1-4-1(a). The Indiana Department of Administration provides a step-by-step registration process for vendors and contractors that do business with the State. Step 3 of this process is a review of the Ethics Code, which prohibits certain actions for "state employees and contractors." More information can be accessed at <http://www.in.gov/idoa/2355.htm>.

²⁶ The Indiana Contractor and Executive Branch Lobbyist Training course can be accessed at <http://www.in.gov/ig/2589.htm>.

the state, or an employee of any agricultural commodity promotional board, if the board is subject to a producer referendum.²⁷

Local employee means a person employed by a political subdivision of this state and **does not include an independent contractor** (Iowa Code § 68B.2[14]). *Legislative employee* means “a permanent full-time employee of the general assembly but does not include members of the general assembly” (Iowa Code § 68B.2[12]). *Public employees* mean state employees, legislative employees, and local employees (Iowa Code § 68B.2[20]). As specifically stated, independent contractor or consultants are not subject to the Iowa Ethics Act.

Louisiana

The Louisiana Ethics Administration Program administers the Code of Governmental Ethics for all state and local public employees, appointed members of boards and commissions, and elected officials other than judges (La R.S. 42:1101 *et seq.*) The Ethics Code defines a *public employee* as follows:

Anyone, whether compensated or not, who is (a) an officer or official of a governmental entity who is not filling an elective office; (b) appointed by an elected official to a position to serve the government or government agency, when the elected official was acting in his official capacity; (c) engaged in the performance of a governmental function; or (d) is under the supervision or authority of an elected official or another governmental employee.²⁸

In Opinion No. 93-266, the Commission on Ethics was faced with the question of whether an attorney who provided legal services to a public entity under a contract was a public employee and subject to the Code of Governmental Ethics. The attorney contended that he was an independent contractor and subject only to the Rule of Professional Conduct for attorneys. The Commission, citing two judicial decisions on this issue, determined the attorney was a public employee and subject to the ethics code because

- 1) Private practicing attorneys who accept compensation for rendering legal services to governmental entities are engaged in the performance of a governmental function and, accordingly, become public employees as that term is defined at Section 1102(18) of the Code and,
- 2) That such attorneys are subject not only to the Rules of Professional Conduct but, also, to the prohibitions contained in part two of the Code of Governmental Ethics.²⁹

Specifically, the attorney and members and employees of his law firm were prohibited from accepting compensation for services from entities that have a business, contractual, or financial interest in the public entity for which he is under contract (La R.S. 42:1111C[2][d]). The ethics code prohibits public employees from accepting gifts, with certain exceptions, and subjects public employees to conflict of interest laws and certain post-employment restrictions.

²⁷ Iowa Code § 68B.2(25).

²⁸ La R.S. 42:1102.

²⁹ We include EC Opinion 93-266 as Attachment F. The two decisions are *Midboe v. Commission on Ethics for Public Employees*, 646 So. 2d 351 (Louisiana 1994); and *Louisiana Insurance Guaranty Association v. Commission on Ethics for Public Employees*, 656 So. 2d 670 (Louisiana 1995).

Public servant includes *public employees* and elected officials. Beginning January 1, 2012, each public servant shall receive a minimum of one hour of education and training on the Code of Ethics during each year of his or her public employment or term of office (La. R.S. 42:1170).

Massachusetts

The State Ethics Commission is a non-partisan, independent state agency, which oversees the administration and enforcement of the conflict of interest (ALM GL ch. 268A) and financial disclosure (ALM GL ch. 268B) laws.³⁰ The conflict of interest law sets standards of conduct for all state, county, and municipal employees and officials. The financial disclosure law requires public officials, political candidates, and state county officials in designated policy-making positions to file an annual statement of their financial interests and private business associations. In 2009, lawmakers established mandatory conflict of interest education and training requirements for all public employees. Specifically, each year all public employees must receive, and acknowledge in writing, a copy of the summary of the law. Every two years, all public employees must complete a conflict of interest online training program.

With respect to the conflict of interest law, the definitions of state, county and municipal employees are very broad. The definitions are not limited to paid full-time public employees, but apply to persons who are paid or unpaid, volunteers, part-time employees, seasonal employees, "special employees" and individuals working under a contract.³¹ For example, the definition of *state employee* is as follows:

a person performing services for or holding an office, position, employment, or membership in a state agency, whether by election, appointment, contract of hire or engagement, whether serving with or without compensation, **on a full, regular, part-time, intermittent or consultant basis**, including members of the general court and executive council.

Not all contractors or consultants are subject to conflict of interest laws or the required training. For example, the employees of a firm that delivers art supplies to school departments are not public employees, and are not subject to the mandatory education and training requirements. Neither are the employees of a bank that provides financial services to various municipalities. However, if a public agency expressly or impliedly contracts for the personal services of a particular individual employed by a private firm, then the particular employee may be considered a public employee for purposes of the conflict of interest law. For example, if a public agency hires a real estate consulting firm to provide development services, and the contract specifies that a particular partner will provide those services, then the partner is a public employee. By contrast, if a school department contracts with a school bus company to drive its students and the company can assign any of its drivers to do that work, the drivers are not public employees for conflict of interest law purposes. In short, employees of consulting firms who provide specialized services, such as legal, design, or architectural services, are more likely to be considered public employees than are employees of firms that provide goods or non-specialized services agencies.³²

Because consultants may be considered state employees, the Massachusetts Ethics Commission issued Advisory Opinion 06-01, which explains how the conflict of interest law applies to consultants and attorneys who personally perform services for state, county, and municipal government.³³ According to the advisory opinion, a consultant who becomes a public employee

³⁰ Massachusetts ethics laws can be accessed at <http://www.mass.gov/ethics/laws-and-regulations/>.

³¹ "Special" public employees include those who hold positions for which no compensation is provided and whom the relevant public entity has classified as special employees because their positions allow them to hold other jobs during normal working hours or because they work a limited number of hours for the public entity. Special public employees are subject to certain less restrictive prohibitions.

³² More information on vendors and contractors can be accessed at <http://www.mass.gov/ethics/education-and-training-resources/faqs.html>.

³³ We include the advisory opinion as Attachment G.

is subject to all of the restrictions of the conflict of interest law concerning bribes, gifts and gratuities, self-dealing and nepotism, standards of conduct, and certain post-employment restrictions. A partner of such a public employee may also be subject to restrictions.³⁴

We also include as Attachment H, a 1982 ethics opinion, EC-COI-82-153, that addresses the status of an attorney employed part-time as a consultant by a Legislative House committee. The consultant wished to also represent a private organization by drafting enabling legislation and providing advice during the legislative session. The opinion found that as a part-time employee he was considered a "special" state employee and therefore, subject to certain less restrictive prohibitions under the law (ALM GL ch. 268A § 4). Nonetheless, the consultant was advised to, among other things, refrain from representing the organization or other private clients in any proceedings which involve parties with whom he dealt in his official legislative capacity.

Michigan

The Michigan State Board of Ethics administers the State Ethics Act for executive branch employees and public officers only (MCL § 15.341, *et. seq.*). According to staff at the State Board of Ethics, the law applies to classified and non-classified employees and does not include independent contractors or consultants.³⁵

Nevada

In Nevada, public officers and public employees are governed by a Code of Ethical Standards that is intended to prevent abuse of public office by prohibiting situations in which conflicts of interest may arise (NRS 281A). The Nevada Commission on Ethics administers the Ethics Code for executive and legislative branch employees and officials. Among other things, the Code of Ethical Standards prohibits public officers and employees from accepting gifts, contracting with government entities, accepting private compensation for public duties, using confidential information for personal gain, and engaging in self-dealing (NRS 281A.400).

A *public officer* means a person who is elected or appointed to a position established by the Nevada Constitution or state or local laws and who exercises discretion over the formulation of public policy, the expenditure of public funds, and the administration of laws and rules (NRS 281A.160). A *public employee* means a person who performs duties under the direction of a public officer for compensation paid by the State or a political subdivision (NRS 281A.150).

Depending on the terms of the contract, a consultant or contractor could be considered a public employee and subject to state ethics laws. Such a determination is made by the Commission on a case by case basis. The main issue is whether the consultant is working under the direction of a public officer. For example, in Advisory Opinion No. 12-42C, the Commission determined a principal of a local school district who was employed under a contract was not a public employee but an independent contractor and therefore the Commission did not have jurisdiction. The Commission found the principal did not perform his public duties under the direction or control of any person. Rather his duties were controlled by the terms of his contract and he undertook those responsibilities independent of any supervision or direction.³⁶

³⁴ These restrictions do not apply to the consultant's employees or associates with whom he is not in partnership.

³⁵ The Michigan State Board of Ethics can be reached at 517.373.3644.

³⁶ We include Advisory Opinion No. 12-42C as Attachment I.

New Jersey

The New Jersey Conflicts of Interest Law governs the conduct of all officers and employees in the executive and legislative branches of state government, including compensated and uncompensated, part-time and full-time, classified and unclassified personnel (N.J. Stat. 52:13D-12). The New Jersey State Ethics Commission administers and enforces the Conflict of Interest Law for the executive branch while the Joint Legislative Committee on Ethical Standards administers and enforces for the legislative branch. Ethics training is mandatory for state employees and special state officers.

According to the Ethics Commission, the Conflicts Law does not directly govern the conduct of independent contractors hired by the state.³⁷ However, independent contractors may be governed by Executive Order (EO) No. 189, which requires state agencies to adopt standards for persons providing goods and services to or performing contracts for the state. Among other things, EO 189 requires individuals who seek to submit a bid or negotiate for a state contract to certify they have read the Plain Language Guide to Ethical Business Conduct. Consistent with the Conflicts of Interest Law, the Guide to Ethical Business prohibits independent contractors from

- Profiting from a conflict of interest on the part of State employee,
- Providing gifts to State employee,
- Making illegal campaign contributions, and
- Profiting from confidential information.³⁸

Similar to other states, ethics codes adopted by specific State agencies may contain provisions applicable to independent contractors hired by that agency.

New York

In 2011, the New York State Legislature passed comprehensive ethics legislation known as the Public Integrity Reform Act (PIRA). The PIRA established an independent agency, the New York State Joint Commission on Public Ethics to oversee both the Executive and Legislative Branches.³⁹ Public Officers Law §73 governs business or professional activities by state officers and employees and Public Officers Law §74 is the Code of Ethics. *Legislative employee* means any officer or employee of the legislature, but does not include members of the legislature. *State officer or employee* means heads of state departments and their deputies, officers and employees of statewide elected officials, officers and employees of state departments, boards, bureaus, divisions, and commissions, and members or directors of public authorities. Consultants and independent contractors are not considered employees and therefore are not covered under the ethics laws. However, consultants and independent contractors may be covered under ethics policies developed by state agencies and under state procurement rules.

³⁷ This topic is addressed in frequently asked questions at <http://www.state.nj.us/ethics/faqs/>.

³⁸ The New Jersey Business Ethics Guide can be accessed at http://www.state.nj.us/treasury/purchase/ethics_guide.shtml.

³⁹ More information on the New York State Joint Commission on Public Ethics can be accessed at <http://www.jcpe.ny.gov/>.

North Carolina

The North Carolina State Ethics Commission administers, investigates, and enforces the State Government Ethics Act (N.C. Gen. Stat. § 138A).⁴⁰ The State Government Ethics Act covers executive branch officials, legislators, legislative employees and judicial branch officials. The Act contains three primary components: disclosure of financial interests, identifying and avoiding conflicts of interest, and a gift ban. The Commission shares administrative responsibilities for the lobbying laws with the Secretary of State (N.C. Gen. Stat. § 120C).

The definition of *public servant* includes, among others, “individuals under contract with the State” working for state officials (N.C. Gen. Stat. § 138A-30[m]). *Legislative employees* means

Employees and officers of the General Assembly and consultants and counsel to committees of either house of the General Assembly or of legislative commissions, who are paid by state funds, but not including legislators, members of the Council of State, or pages.⁴¹

According to Kathy Edwards, Assistant Director/Compliance Officer, North Carolina State Ethics Commission, consultants are subject to the Government Ethics Act.⁴² Legislative employees are subject to conflict of interest and gift provisions of the law, but not financial disclosure provisions.

Public servants are required to attend ethics training within six months of the person’s election, appointment, or employment and to attend a refresher course at least every two years thereafter. Every legislative employee is required to participate in an ethics presentation within three months of employment, and a refresher ethics education presentation at least every two years thereafter (N.C. Gen. Stat. § 138A-14).

Ohio

The Ohio Ethics Commission administers the Ohio Ethics Law, which governs all public officials and employees (ORC Ann. § 102 and ORC Ann. §§ 2921.42 and 2921.43). The Joint Legislative Ethics Commission oversees and administers the Ohio Ethics law for members and employees of the General Assembly. The Ohio Ethics Law defines a *public official or employee* to include a person who is elected or appointed to an office or is an employee of any public agency (ORC Ann. §. 102.01). In a 1975 Advisory Opinion, the Ethics Commission found that, generally, independent contractors of public agencies are not included “in that class of persons described by the phrase ‘employed by’ as used in Section 102.04 of the Revised Code.” The primary test for purposes of ethics legislation is whether the person employed is engaged in a distinct occupation or business and the extent of control over the person by the employer.

However, restrictions in ORC Ann. § 2921.42 apply to any *public official*.⁴³ The term *public official* is defined in ORC Ann. § 2921.01(A) as “any elected or appointed officer, or employee, or **agent of the state** or any political subdivision, whether in a temporary or permanent capacity.” Because a consultant is not elected or appointed to an office or an employee of the state, the consultant’s status rests on whether he or she is an *agent* of a public entity. In Advisory Opinion No. 92-001, the Ethics

⁴⁰ More information on the North Carolina Ethics Commission can be accessed at <http://test.ethicscommission.nc.gov/index.htm>.

⁴¹ N.C.G.S. § 120C-100(6) and N.C.G.S. § 138A-3(21).

⁴² Ms. Edwards can be reached at 919.715.2257.

⁴³ ORC Ann. § 2921.42 prohibits public officials from using influence to secure contracts or the use of public funds for which the public official or the public official’s family has an interest.

Commission determined that person is an *agent* of a public entity for purposes of ORC Ann. § 2921.42 if all three of the following apply:

- 1) The individual has the authority to enter into contracts with others and thus has the authority to act on the public entity's behalf and bind the public entity;
- 2) The public entity exercises the right of control over the individual; and
- 3) The individual's contractually prescribed actions are directed toward the attainment of any objective sought by the public entity.⁴⁴

Similarly, restrictions in ORC Ann. § 2921.43 prohibit *public servants* from accepting "any compensation" with certain exceptions, while performing official duties as a public servant or from receiving a supplement to public compensation. ORC Ann. § 2921.01(B) defines *public servant* to mean

- 1) Any public official;
- 2) **Any person performing ad hoc a governmental function, including, but not limited to, a juror, member of a temporary commission, master, arbitrator, advisor, or consultant;**
- 3) A person who is a candidate for public office, whether or not the person is elected or appointed to the office for which the person is a candidate.⁴⁵

For purposes of ORC Ann. § 2921.43, the question is whether the consultant is performing an ad hoc governmental function. In Advisory Opinion No. 93-013, the Ethics Commission found that a consultant who was procuring and providing insurance benefit plans for county employees was performing a governmental function and subject to ORC Ann. § 2921.43. Therefore, the consultant was prohibited from receiving money from any party, other than from the public entity he served for performing tasks and duties pursuant to his contract.

Oregon

The Oregon Government Ethics Commission administers the provisions of the Government Ethics Law (ORS § 244) and Lobby Regulation Law (ORS § 171.725 – § 171.785 and § 171.992).⁴⁶ The Oregon Government Ethics Law applies to all elected and appointed officials, employees and volunteers at all levels of state and local government in all three branches. For purposes of the Government Ethics Law, *public official* means

Any person who, when an alleged violation of this chapter occurs, **is serving the State of Oregon or any of its political subdivisions or any other public body as defined in ORS 174.019 as an elected official, appointed official, employee or agent**, irrespective of whether the person is compensated for the services.

The Commission adopted a regulation clarifying the use of "agent" in the definition of public official that reads as follows:

As defined in ORS 244.020(14), a public official includes anyone serving the State of Oregon or any of its political subdivisions or any other public body in any one of the listed capacities, including as an "agent." **An "agent" means any individual performing governmental functions.** Governmental

⁴⁴ We include Advisory Opinion No. 92-001 as Attachment J.

⁴⁵ We include Advisory Opinion No. 93-013 as Attachment K.

⁴⁶ More information on the Oregon Government ethics Commission can be accessed at <http://www.oregon.gov/OGEC/Pages/index.aspx>.

functions are services provided on behalf of the government as distinguished from services provided to the government. **This may include private contractors and volunteers, depending on the circumstances.** This term shall be interpreted to be consistent with Attorney General Opinion No. 8214 (1990).

We include Attorney General Opinion No. 8214 as Attachment L. The Opinion found that within the definition of public official, the phrase “officer, employee, agent or otherwise” is all-inclusive, exhibiting the Legislature’s intent that every person “serving” the government is a “public official” regardless of the precise legal characterization of the person’s relationship with the government. Further, the definition embodies the concept of government service. Thus, the substantive requirements and prohibitions of the ethics law apply only to persons who are part of government. The Opinion concludes as follows:

[A] person does not become a “public official” subject to the ethics law merely by contracting to provide services to the government under contract. Rather, only persons who are part of the government as subject to ethics law. Thus, an individual who, pursuant to contract, performs governmental functions or responsibilities on behalf of the government—e.g., a hearing officer—is a “public official” subject to the ethics law. Similarly, where a corporation or other entity that is essentially governmental (i.e., performs governmental functions on behalf of government) contracts with a state agency, that entity’s officers, employees and agents are “public officials.”⁴⁷

The Oregon Ethics Law prohibits public officials from using their position or office for financial gain and from using confidential information (ORS 244.040). Under certain circumstances the aggregate value of gifts is also restricted. According to Tammy Hedrick, Oregon Government Ethics Commission, ethics training is not statutorily required but voluntary.⁴⁸

Pennsylvania

The Pennsylvania State Ethics Commission enforces the Public Officials and Ethics Act (65 Pa. C.S. § 11) and has additional responsibilities under the Lobbying Disclosure Law and the Race Horse Development and Gaming Act.

Ethics training is not mandatory but is offered by the Commission to all public officials and public employees. While contractors are not considered public employees for purposes of the Ethics Act, they are subject to Contractor Integrity Provisions, which set out extensive ethics standards for contractors and are to be included in all Commonwealth contracts.⁴⁹

The Contractor Integrity Provisions, among other things, prohibit contractors from influencing or attempting to influence government employees as set forth under the State Ethics Act, offering or giving any gratuity to public officials or employees, disclosing confidential information, or having a financial interest in other public contracts. Contractors are also subject to provisions in the Campaign Finance and the Lobbying Disclosure Act (65 Pa C.S. § 13A).

Rhode Island

The Rhode Island Ethic Commission enforces and administers the Code of Ethics, which sets forth standards of conduct for all state and municipal elected and appointed officials, as well as for employees of state and local government, boards,

⁴⁷ OAR 199-005-0035(7).

⁴⁸ Ms. Hedrick can be reached at 503.378.5105.

⁴⁹ *Commonwealth Official Procurement Handbook*, Part I, Chapter 14, Contractor Responsibility. The Handbook can be accessed at http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304. We include a copy of the Pennsylvania Contractor Integrity Provisions as Attachment M.

commissions, and agencies (R.I. Gen. Laws § 36-14). The Rhode Island Code of Ethics also covers state vendors—persons or business entities that sell goods or provide services to any state agency. Specifically, the Ethics Code prohibits state vendors from providing goods or services for less than fair market value for the personal use of a state procurement official if the vendor has sold goods or services during the preceding 24 months to the state agency employing the person (R.I. Gen. Laws § 36-14.1.2).

The Code of Ethics also prohibits public officials and employees from engaging in a financial transaction, including private employment, loans, monetary, political, or charitable contributions, with an employee, contractor, or consultant over whom he or she exercises supervisory responsibilities. Exceptions include transactions in the normal course of a regular commercial business, or if the subordinate initiates the financial transaction, or for charitable events that are sponsored by the highest official or governing body of the state or municipality (R.I. Gen. Laws § 36-14-5011).

Texas

The Texas Ethics Commission administers and enforces ethics laws pertaining to state officers and executive branch employees, local government officials, legislators and legislative branch employees, as well as conflict of interest rules involving the Texas Comptroller of Public Accounts (CPA).⁵⁰ Specifically, the Commission administers and enforces rules for employees, vendors, and potential vendors acting under the delegated authority of the CPA (Tex. Gov't Code § 2155.003). Accordingly, the CPA's Texas Procurement and Support Services (TPASS) adopted a Code of Ethics, which, among other things prohibits vendors or potential vendors from giving a state employee anything of value.

The Commission is required to provide training for legislators, legislative employees, and state employees in cooperation with state agencies. Because independent contractors are not defined as state employees, they are not required to receive ethics training. The TPASS does, however, provide relevant ethics rules at its website and in manuals explaining purchasing rules to vendors.⁵¹

Washington

The Washington State Executive Ethics Board is an independent body made up of five persons appointed by the Governor. The Office of the Attorney General provides staff for the Board, which administers the Ethics in Public Service Act for state officers and employees (Rev. Code Wash § 42.52). Under the Ethics Act, a *state employee* means an individual who is employed by an agency in any branch of state government. *State officer* includes every person holding a position of public trust in or under an executive, legislative, or judicial office of the state, including among others, judges and members of the legislature (Rev. Code Wash § 42.52.010).

According to Ruthann Bryant, administrative officer, Executive Ethics Board, consultants and independent contractors are not considered state employees or officials. Consequently, the Board does not have jurisdiction over consultants or contractors and they are not subject to the Ethics Act.⁵² Ms. Bryant notes that the Ethics Board has developed a brochure for contractors, which explains the restrictions on gifts to state employees.

⁵⁰ Tex. Gov't Code § 572, § 573, § 574 and § 575. More information on the Texas Ethics Commission can be accessed at <http://www.ethics.state.tx.us/index.html>.

⁵¹ The Ethics Code for procurement can be accessed at <http://www.window.state.tx.us/procurement/pub/manual/1-2.pdf> and <http://www.window.state.tx.us/procurement/pub/contractguide/>.

⁵² Ms. Bryant can be reached at 360.586.3265.

West Virginia

The West Virginia Ethics Act applies to all public servants including employees, elected officials, and appointed officials, whether full-time or part-time, in the legislative, judicial, and executive branches of state, county and municipal government (W. Va. Code § 6B). According to Joan Parker, Executive Director, West Virginia Ethics Commission, independent contractors or consultants are not considered public employees and therefore are not subject to the Ethics Act.⁵³ The Ethics Commission relies on the definition of employee as determined by the federal Internal Revenue Service (IRS).⁵⁴ Ms. Parker notes that employees receive a paycheck with the standard withholdings subtracted from their salary, and receive a Form W-2 at year's end. In contrast, independent contractors receive a Form 1099 for the full amount of pay without undergoing any withholdings for taxes, social security, and other deductions.

We hope this is helpful. If you have questions or need additional information, please let us know.

⁵³ Ms. Parker can be reached at 304.558.0664.

⁵⁴ We include West Virginia Ethics Commission Advisory Opinion No. 2011-04, May 5, 2011, as Attachment N.

Alaska State Legislature

Select Committee on Legislative Ethics

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(907) 269-0150
FAX: 269-0152
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Mailing Address:
P.O. Box 101468
Anchorage, AK.
99510 – 1468

TO: Dan Wayne
LAA Legal

FROM: Gary J. Turner, Chair

DATE: May 9, 2014

RE: Legal Opinion, Clarification of HB 127 – Personal Services Contracts

The ombudsman's office is an agency under the legislative branch. HB 127, an act relating to the operation of the Ombudsman's office, is awaiting transmittal to the governor. In Section 2 of the bill language was added to allow the ombudsman to employ staff under a personal services contract as provided by AS 24.10.060, Legislative Employees, Subsection (f). Additionally, Section 4 added language that allows the ombudsman's office to adopt by regulation procurement procedures similar to those adopted by legislative council under AS 36.30.020. These procedures shall be followed in contracting for professional and other services.

As you know, at the Ethics Committee meeting to be held on May 29, we will be discussing independent contractors and consultants and the applicability of certain provisions of the Legislative Ethics Act. I am asking for a legal opinion as to whether individuals hired under a "personal services contract" by the Ombudsman's office would be considered an "independent contractor or consultant" under the definition of "legislative employee" in AS 24.60.990(a)(11) or whether these individuals would fall under the category of "a person who is compensated under the legislative branch in return for regular and substantial personal services?" Does the fact that these individuals will be hired under the requirements of AS 24.10.060(f) and compensated under the state salary schedule set out in AS 39.27.011(a) factor into the equation?

The answers to these questions will provide some clarity to the complex definition of "legislative employee?" Thank you.

Please let Joyce Anderson know if the timeframe of May 20 works for a response.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101.


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 13, 2014

SUBJECT: Personal services contracts with the Office of the Ombudsman
(Work Order No. 28-LS1722)

TO: Gary Turner
Chair of the Select Committee on Legislative Ethics
Attn: Joyce Anderson

FROM: Dan Wayne 
Legislative Counsel

You have asked whether a person hired by the ombudsman on a personal services contract as permitted by sec. 2 of SCS CSHB 127(JUD) is an "independent contractor or consultant" or "a person who is compensated by the legislative branch in return for regular or substantial personal services," according to the Legislative Ethics Act's definition of "legislative employee," under AS 24.60.990(a)(11). Assuming SCS CSHB 127(JUD) is signed into law, the short answer is that the person hired under new subsection AS 24.55.070(d) is both.¹

Sec. 2 of SCS CSHB 127(JUD) establishes that staff appointed by the ombudsman may be employed under a personal services contract as provided by AS 24.10.060(f), which reads:

(f) An employee of the legislative branch of state government who is employed under a personal services contract is not entitled to membership in the public employees' retirement system (AS 39.35) for employment under the contract. The employee shall be compensated under the state salary schedule set out in AS 39.27.011(a). The employee is entitled to receive leave benefits and employee health coverage unless the personal services contract provides to the contrary.

AS 24.60.990(a)(11), reads:

¹ This assumes that the employee performs or is expected to perform regular or substantial personal services that are paid for by the legislature, and that the ethics committee has not designated the employee as one not included in the definition of "legislative employee."

(11) "legislative employee" means a person, other than a legislator, who is compensated by the legislative branch in return for regular or substantial personal services, regardless of the person's pay level or technical status as a full-time or part-time employee, independent contractor, or consultant; it includes public members and staff of the committee; it does not include individuals who perform functions that are incidental to legislative functions, and other employees designated by the committee;

According to this definition, a person who is hired on a personal services contract is a legislative employee for purposes of the Ethics Act as long as they are compensated by the legislative branch in return for regular or substantial services -- without regard for the person's pay level or whether they are a full-time employee, a part-time employee, an independent contractor, or a consultant. A person hired as ombudsman staff may be appointed as a permanent employee² or, as above in this opinion, as an employee under a personal services contract. In either case, if the legislature pays the appointee to perform regular or substantial services then the appointee is a "legislative employee" under AS 24.60.990(a)(11) -- regardless of whether the appointee's technical status is "employed under a personal services contract," under AS 24.10.060(f), or the appointee's pay level is established "under the state salary schedule set out in AS 39.27.011(a)."

DCW:lnd
14-221.lnd

² AS 24.55.080(b) reads:

(b) The salary and benefits of the ombudsman and the permanent staff of the ombudsman shall be paid through the same procedures used for payment of the salaries and benefits of other permanent legislative employees.

SENATE CS FOR CS FOR HOUSE BILL NO. 127(JUD)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 4/16/14
Referred: Rules

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to compensation of the ombudsman and to employment of staff by the**
2 **ombudsman under personal service contracts; relating to disclosure by an agency to the**
3 **ombudsman of communications subject to attorney-client and attorney work-product**
4 **privileges; relating to the privilege of the ombudsman not to testify and creating a**
5 **privilege under which the ombudsman is not required to disclose certain documents;**
6 **relating to procedures for procurement by the ombudsman; and amending Rules 501**
7 **and 503, Alaska Rules of Evidence."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 *** Section 1.** AS 24.55.060 is amended to read:

10 **Sec. 24.55.060. Compensation.** The ombudsman is entitled to receive an
11 annual salary equal to a step in [A,] Range 26 on the salary schedule set out in
12 AS 39.27.011(a) [FOR JUNEAU].

13 *** Sec. 2.** AS 24.55.070 is amended by adding a new subsection to read:

(d) Notwithstanding (c) of this section, staff appointed by the ombudsman may be employed under a personal services contract as provided by AS 24.10.060(f).

* **Sec. 3.** AS 24.55.160(a) is amended to read:

(a) In an investigation, the ombudsman may

(1) make inquiries and obtain information considered necessary;

(2) enter without notice to inspect the premises of an agency, but only when agency personnel are present;

(3) hold private hearings; and

(4) notwithstanding other provisions of law, have access at all times to records of every [STATE] agency, including confidential records, except sealed court records, production of which may only be compelled by subpoena, and except for records of active criminal investigations and records that could lead to the identity of confidential police informants.

* **Sec. 4.** AS 24.55.160 is amended by adding a new subsection to read:

(c) Disclosure by an agency to the ombudsman under this chapter of a communication that is subject to the attorney-client privilege, or attorney work-product privilege, does not waive the privilege as to any other person. The ombudsman may not disclose a privileged communication provided under this subsection unless the communication is evidence of an act of an agency that the ombudsman reasonably believes is criminal.

* **Sec. 5.** AS 24.55.260 is repealed and reenacted to read:

Sec. 24.55.260. Ombudsman's privilege not to testify or disclose documents. (a) The ombudsman and staff of the ombudsman may not testify or be deposed in a judicial or administrative proceeding regarding matters coming to their attention in the exercise of their official duties, except as may be necessary to enforce the provisions of this chapter.

(b) The records of the ombudsman and staff of the ombudsman, including notes, drafts, and records obtained from an individual or agency during intake, review, or investigation of a complaint, and any reports not released to the public in accordance with AS 24.55.200, are not subject to disclosure or production in response to a subpoena or discovery in a judicial or administrative proceeding, except as the

1 ombudsman determines may be necessary to enforce the provisions of this chapter.
 2 Disclosure by the ombudsman is subject to the restrictions on disclosure in
 3 AS 24.55.160 - 24.55.190.

4 * Sec. 6. AS 24.55.275 is amended to read:

5 **Sec. 24.55.275. Contract procedures.** The ombudsman shall adopt by
 6 regulation procurement procedures that are appropriate for the office of the
 7 ombudsman and that are similar to those adopted by the legislative council under
 8 AS 36.30.020, as they may be amended from time to time. The procedures shall
 9 [CONSISTENT WITH AS 36.30 TO] be followed by the office of the ombudsman in
 10 contracting for professional and other services, supplies, and office space, and for
 11 construction limited to providing and maintaining office space for the office of
 12 the ombudsman. However, competitive principles in the procurement procedures
 13 adopted by the legislative council under AS 36.30.020 do [THE PROCEDURE
 14 FOR REQUESTS FOR PROPOSALS DOES] not apply to contracts for investigations
 15 under AS 24.55.100 [, AND THE OFFICE OF THE OMBUDSMAN SHALL
 16 COMPLY WITH THE FIVE PERCENT PREFERENCE UNDER AS 36.30.321(a)].

17 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
 18 read:

19 INDIRECT COURT RULE AMENDMENTS. (a) The change made to
 20 AS 24.55.160(c), added by sec. 4 of this Act, has the effect of changing Rules 501 and 503,
 21 Alaska Rules of Evidence, by clarifying that disclosure by an agency to the ombudsman under
 22 AS 24.55 of a communication that is subject to the attorney-client privilege or attorney work-
 23 product privilege does not waive the privilege as to any other person and that the ombudsman
 24 has a privilege not to testify or disclose documents as provided under AS 24.55.260, added by
 25 sec. 5 of this Act, and may not be made to disclose a communication provided by an agency
 26 to the ombudsman that is subject to the attorney-client privilege or attorney work-product
 27 privilege.

28 (b) The change made by sec. 5 of this Act has the effect of changing Rule 501, Alaska
 29 Rules of Evidence, by clarifying that the ombudsman and the staff of the ombudsman have a
 30 privilege not to testify or disclose or produce records in a judicial or administrative
 31 proceeding, except as provided under AS 24.55.160 - 24.55.200.

1 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 CONDITIONAL EFFECT. (a) AS 24.55.160(c), added by sec. 4 of this Act, takes
4 effect only if sec. 7(a) of this Act receives the two-thirds majority vote of each house required
5 by art. IV, sec. 15, Constitution of the State of Alaska.

6 (b) Section 5 of this Act takes effect only if sec. 7(b) of this Act receives the two-
7 thirds majority vote of each house required by art. IV, sec. 15, Constitution of the State of
8 Alaska.

ETHICS COMMITTEE MEETING

January 23, 2014

ITEM 10: Ethics Training for Independent Contractors or Consultants

Included in the packet:

- AS 24.60.150. Duties of the committee; and AS 24.60.155 Legislative ethics course.
- AS 24.60.134. Prohibited conduct by public members and committee employees and contractors.
- Advisory Opinion 99-01, Definition Employee – Contractual Services.
- Advisory Opinion 96-06, Ethics Committee Contracts.
- February 13, 2003 memo to Wen Ibesate, LAA Administration, Contracts and Determination of Legislative Employee.
 - 2 sample contracts with language containing Coverage under the Ethics Law.
- February 27, 2003 memo to Karla Schofield, Deputy Director, Administrative Services, Explanation of AO 99-01.
- March 28, 2003 memo from Wen Ibesate, LAA Administration, Ethics Clause in Legislative Contracts.
- FY 13 (June 1, 2012 thru June 30, 2013) listing of contracts.
- Research of other states laws and definition of “employee” and “contractor.”

Available to testify at the Committee meeting

- Doug Gardner, Director Legislative Legal Services.

GENERAL BACKGROUND INFORMATION:

Several inquiries have been received from legislative agencies within the last two months asking if independent contractors or consultants with the Legislature are required to complete ethics training. Another inquiry was received on Tuesday, January 14. The contract is for \$35,000 and is a personal services contract.

AS 24.60.990(a)(11) states:

In this chapter, “legislative employee” means a person, other than a legislator, who is compensated by the legislative branch in return for regular or substantial personal services, regardless of the person’s pay level or technical status as a full-time or part-time employee, independent contractor, or consultant; it include public members and staff of the committee; it does not include individuals who perform functions that are incidental to legislative functions, and other employees designated by the committee;”

Under the provisions of **AO 99-01**, an independent consultant and contractor is considered a "legislative employee" if certain conditions are met.

AO 99-01 TEST: In evaluating whether a potential contractor falls within the definition of legislative employee and therefore subject to the ethics code, the committee sets out the following step-by-step test:

1. Will the contractor be paid through the state payroll system? If **yes**, will contractor fall under any of the previously exempt categories, (listed on page 2)? *[Note: The statutorily exempt categories were removed from the definition of "legislative employee" with 2012 legislation. Additionally, in 1996 the committee designated several other job categories which are also no longer in effect.]*
 - a. If the position is exempt, the contractor is not subject to the ethics code.
 - b. If the position is not exempt, the contractor is subject to the ethics code.
2. Is the contractor providing services to the Ethics Committee? If **yes**, the contractor is subject to the Legislative Ethics Code.
3. Is the service or professional services contract value greater than \$5,000? If no, the contractor is not subject to the Ethics Code. If **yes**, see below:
 - a. Will the contractor (including those providing legal services) incur more than incidental use of state resources such as computers, desks, phones, fax machines, or the like? **(OR)**
 - b. Will the contractor (excluding those who represent the legislature in litigation or in an administrative matter before the state executive branch) provide legislative policy related services or represent the legislature in a policy-related capacity?

If the contractor falls within 3(a) or 3(b) above, the contractor is considered a 'legislative employee.'

NOTE: **AO 84-06**, which addresses an issue with a state contract, has relevance. In this opinion, "professional services contracts" are defined as:

professional, technical or consultant's services that are predominately intellectual in character and that include analysis, evaluation, prediction, planning or recommendation, and result in the production of a report or the completion of a task.

Keep in mind that contractors who provide goods (ex: West Law access), equipment (ex: moving vans), and labor (ex: work on the State Capitol building) would not fall in the category of "professional services contracts" under the definition in AO 84-06 in addition to the TEST in

AO 99-01; and therefore, these types of contractors would not be considered a legislative employee for purposes of the Act.

Under **AO 96-06**, the committee considered whether employees of the contractor who provides legal services to the Ethics Committee were required to comply with AS 24.60.134(c). *[AS 24.60.134 addresses prohibited conduct in addition to the other requirements of the Act. Specifically, activity relating to partisan political activity, campaigns, fundraising and lobbying.]*

AS 24.60.134(c) A person under contract to provide personal services to the committee who is part of a corporation or partnership that includes individuals who not be participating directly in the work performed by the entity for the committee may request the committee to exclude members of the entity from some or all of the provisions of this section. The committee may grant the request if it finds that doing so will not lead to the appearance that the committee is subject to undue political influence and if there is no appearance of impropriety.

The committee concluded “that because the company for which you work has adopted policies and procedures that preserve the confidentiality of the files and documents of the committee, only those employees of the company who have access to the documents and perform regular or substantial services for the committee are subject to the restrictions set out in AS 24.60.134. In reaching this decision, the committee has relied on its power under AS 24.60.990(a)(10) to designate employees who are outside of the scope of the ethics code.”

It is important to note that the committee found that the phrase “a person under contract to provide personal services to the committee” as used in AS 24.60.134 includes the company that has entered into the contract and those employees of the company that perform regular or substantial services on behalf of the committee.”

The bigger question is:

Do all the provisions under the Act apply to independent contractors and consultants if they meet the definition of “legislative employee” as determined in AO 99-01?

- Ethics training.
- Disclosures.
- Gift prohibitions.
- Restrictions on fundraising.
- Complaints.

All contracts currently contain the following clause:

Clause XYZ – Coverage under the Ethics Code

The Consultant may be subject to the provisions of AS 24.60 (Legislative Ethics) as a legislative employee unless excluded from the definition of “legislative employee” under AS 24.60.990(a)(11). Select Committee on Legislative Ethics Advisory Opinion 99-01 concludes that “any contractors who are paid through the state payroll system, contractors (or those designated within a contracting firm or company) with the Ethics Committee and those services or professional services contractors with legislative contracts over \$5,000, who will incur more than incidental use of state resources or who either contract for legislative policy related services or who are designated to represent the Legislature in a policy-related capacity, fall within the legislative employee definition and are therefore subject to the legislative ethics code.”

In March 2003 the clause was changed to the current language. (Note: Please note that ethics training did not become ‘mandatory’ until the 2008 legislative session.) The 2003 language is as follows:

Clause XYZ – Coverage under the Ethics Law

“The Consultant may be subject to the provisions of AS 24.60. (Legislative Ethics) as a legislative employee unless excluded from the definition of “legislative employee” under AS 24.60.990(10).”

The reason for the change in 2003 was due to a contractor calling Mr. Wen Ibesate, LAA Administration, and this office asking for clarification of what it meant to be considered a “legislative employee” in relation to ethics compliance. Ethics staff consulted with H. Conner Thomas, chair of the committee at that time, and it was determined contract language should be updated. (See attached correspondence.)

CONTRACT INFORMATION - FY 2013 (July 1, 2012 through June 30, 2013)

(Note: Contracts issued for construction and labor are not included in these numbers.)

| <u>NUMBERS</u> | <u>CATEGORY</u> | <u>AMOUNT/RANGES</u> |
|----------------|--|-----------------------|
| 27 | Contracts issued during FY 13 | \$5,000 - \$300,027 |
| 1 | Legislative Affairs Agency | \$81,599 |
| 1 | Victims’ Rights | \$74,863 |
| 1 | Alaska Arctic Policy Commission | \$25,000 |
| 9 | Legislative Council | \$15,000 to \$149,000 |
| 10 | Senate Finance | \$5,000 to \$300,027 |
| 0 | Ombudsman | -0- |
| 5 | Ethics Committee | \$5,000 to \$10,000 |
| | Legislative Budget and Audit Committee | |

Note:

- It appears that 22 of the 27 contracts would fall under the definition of 'legislative employees' under the TEST conditions outlined in AO 99-01. Further, the threshold of \$5,000 or more was met by every contract listed. Keep in mind, the AO was issued 15 years ago.
- A review of the contracts shows that it is possible a contract may include a living allowance for the contractor. This factor was not considered in AO 99-01. Should this type of contract be looked at differently from those where no living allowance is included?

DISCUSSION:

Points to consider:

- Does AO 99-01 need to be revisited to re-evaluate the parameters (TEST) defining 'legislative employee' as it relates to independent consultants and contractors?
 - AO 96-06 addressed exempting employees of Ethics Committee contractors by defining what factors and work assignments would place the employee under the provisions of the Act. The opinion also provided a process by which the contractor could request an exemption for employees.
 - If AO 99-01 is revisited, should the opinion include such a clarification and option?
- Consider the volume of contracts issued by the Legislature and legislative agencies that would meet the definition of 'legislative employee' under AO 99-01?
 - Staff time to monitor contracts issued, follow up on compliance, and answer questions from contractors could be considerable for both the administrator and administrative assistant (authorized for 60% time).
- The term of the contract (from/to date) would determine whether ethics training was a requirement.
 - Currently only 'legislative employees' who will be on board for 30 days or more are required to complete ethics training.
 - AS 24.60.155 states, ". . . a person who begins employment . . . shall complete the course required by this section within 30 days after the person's first day of service. . ."
 - AS 24.60.155 states, "A legislative intern or legislative volunteer who serves fewer than 30 days in one legislature is not subject to the requirements under (a) of this section."
- What other sections of the Act apply to contractors? Is it reasonable for contractors to file ethics disclosures, follow the gift prohibitions, and be restricted from certain fundraising activities?
- Determine the process for administering the requirements and compliance components.

- Should the contractor be informed prior to signing off on the contract of the requirement to complete ethics training and/or other requirements outlined in the Act?
- Who is covered by the requirements of the Act? The individual performing the consultant work, any support staff working on the issue, or the entire organization if the contract is with an organization.
- Who must complete the training? Same questions.
- A specialized on-line ethics training designed for contractors is an option. The on-line system is already in place and could be tailored for this purpose as well.
- Research of other states indicates that a contractor is not considered a public employee or covered by ethics provisions.

RECOMMENDATION:

Staff has no recommendation at this time. See options below.

ACTION:

Options include:

- Further study.
- Request an advisory opinion based on the current facts presented in order to provide guidance to contractors, Ethics staff, and LAA staff.
- Determine today the issues regarding ethics training and compliance with other sections of the Act.
- Recommend a statutory change to the definition of "legislative employee" and/or recommend specific language addressing contractors and ethics compliance.