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HOUSE BILL NO. 457**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on General Laws
on February 9, 2006)

(Patron Prior to Substitute—Delegate Rust)

*A BILL to amend and reenact §§ 2.2-3106 and 2.2-3110 of the Code of Virginia, relating to the State and Local Conflicts of Interest Act; exemption for faculty papers; ownership in a contracting firm.***Be it enacted by the General Assembly of Virginia:****1. That §§ 2.2-3106 and 2.2-3110 of the Code of Virginia are amended and reenacted as follows:**

§ 2.2-3106. Prohibited contracts by officers and employees of state government and Eastern Virginia Medical School.

A. No officer or employee of any governmental agency of state government or Eastern Virginia Medical School shall have a personal interest in a contract with the governmental agency of which he is an officer or employee, other than his own contract of employment.

B. No officer or employee of any governmental agency of state government or Eastern Virginia Medical School shall have a personal interest in a contract with any other governmental agency of state government unless such contract is (i) awarded as a result of competitive sealed bidding or competitive negotiation as defined in § 2.2-4301 or (ii) is awarded after a finding, in writing, by the administrative head of the governmental agency that competitive bidding or negotiation is contrary to the best interest of the public.

C. The provisions of this section shall not apply to:

1. An employee's personal interest in additional contracts of employment with his own governmental agency that accrue to him because of a member of his immediate family, provided the employee does not exercise any control over the employment or the employment activities of the member of his immediate family and the employee is not in a position to influence those activities;

2. The personal interest of an officer or employee of a state institution of higher education or the Eastern Virginia Medical School in additional contracts of employment with his own governmental agency that accrue to him because of a member of his immediate family, provided (i) the officer or employee and the immediate family member are engaged in teaching, research or administrative support positions at the educational institution or the Eastern Virginia Medical School, (ii) the governing board of the educational institution finds that it is in the best interests of the institution or the Eastern Virginia Medical School and the Commonwealth for such dual employment to exist, and (iii) after such finding, the governing board of the educational institution or the Eastern Virginia Medical School ensures that the officer or employee, or the immediate family member, does not have sole authority to supervise, evaluate or make personnel decisions regarding the other;

3. An officer's or employee's personal interest in a contract of employment with any other governmental agency of state government;

4. Contracts for the sale by a governmental agency or the Eastern Virginia Medical School of services or goods at uniform prices available to the general public;

5. An employee's personal interest in a contract between a public institution of higher education in Virginia or the Eastern Virginia Medical School and a publisher or wholesaler of textbooks or other educational materials for students, which accrues to him solely because he has authored or otherwise created such textbooks or materials;

6. *An employee's personal interest in a contract with his or her employing public institution of higher education to acquire the collections or scholarly works owned by the employee, including manuscripts, musical scores, poetry, paintings, books or other materials, writings, or papers of an academic, research, or cultural value to the institution, provided the president of the institution approves the acquisition of such collections or scholarly works as being in the best interests of the institution's public mission of service, research, or education.*

67. Subject to approval by the board of visitors, an employee's personal interest in a contract between the Eastern Virginia Medical School or a public institution of higher education in Virginia that operates a school of medicine or dentistry and a not-for-profit nonstock corporation that operates a clinical practice within such public institution of higher education or the Eastern Virginia Medical School and of which such employee is a member or employee;

78. Subject to approval by the relevant board of visitors, an employee's personal interest in a contract for research and development or commercialization of intellectual property between a public institution of higher education in Virginia or the Eastern Virginia Medical School and a business in which the employee has a personal interest, if (i) the employee's personal interest has been disclosed to and approved by such public institution of higher education or the Eastern Virginia Medical School prior to

60 the time at which the contract is entered into; (ii) the employee promptly files a disclosure statement
61 pursuant to § 2.2-3117 and thereafter files such statement annually on or before January 15; (iii) the
62 institution has established a formal policy regarding such contracts, approved by the State Council of
63 Higher Education or, in the case of the Eastern Virginia Medical School, a formal policy regarding such
64 contracts in conformity with any applicable federal regulations that has been approved by its board of
65 visitors; and (iv) no later than December 31 of each year, the institution or the Eastern Virginia Medical
66 School files an annual report with the Secretary of the Commonwealth disclosing each open contract
67 entered into subject to this provision, the names of the parties to each contract, the date each contract
68 was executed and its term, the subject of each contractual arrangement, the nature of the conflict of
69 interest, the institution's or the Eastern Virginia Medical School's employee responsible for administering
70 each contract, the details of the institution's or the Eastern Virginia Medical School's commitment or
71 investment of resources or finances for each contract, and any other information requested by the
72 Secretary of the Commonwealth; or

73 89. Subject to approval by the relevant board of visitors, an employee's personal interest in a contract
74 between a public institution of higher education in Virginia or the Eastern Virginia Medical School and
75 a business in which the employee has a personal interest, if (i) the personal interest has been disclosed
76 to the institution or the Eastern Virginia Medical School prior to the time the contract is entered into;
77 (ii) the employee files a disclosure statement pursuant to § 2.2-3117 and thereafter annually on or before
78 January 15; (iii) the employee does not participate in the institution's or the Eastern Virginia Medical
79 School's decision to contract; (iv) the president of the institution or the Eastern Virginia Medical School
80 finds and certifies in writing that the contract is for goods and services needed for quality patient care,
81 including related medical education or research, by the institution's medical center or the Eastern
82 Virginia Medical School, its affiliated teaching hospitals and other organizations necessary for the
83 fulfillment of its mission, including the acquisition of drugs, therapies and medical technologies; and (v)
84 no later than December 31 of each year, the institution or the Eastern Virginia Medical School files an
85 annual report with the Secretary of the Commonwealth disclosing each open contract entered subject to
86 this provision, the names of the parties to each contract, the date each contract was executed and its
87 term, the subject of each contractual arrangement, the nature of the conflict of interest, the institution's
88 or the Eastern Virginia Medical School's employee responsible for administering each contract, the
89 details of the institution's or the Eastern Virginia Medical School's commitment or investment of
90 resources or finances for each contract, and any other information requested by the Secretary of the
91 Commonwealth.

92 D. Notwithstanding the provisions of subdivisions C 78 and C 89, if the research and development or
93 commercialization of intellectual property or the employee's personal interest in a contract with a
94 business is subject to policies and regulations governing conflicts of interest promulgated by any agency
95 of the United States government, including the adoption of policies requiring the disclosure and
96 management of such conflicts of interests, the policies established by the Eastern Virginia Medical
97 School pursuant to such federal requirements shall constitute compliance with subdivisions C 78 and C
98 89, upon notification by the Eastern Virginia Medical School to the Secretary of the Commonwealth by
99 January 31 of each year of evidence of their compliance with such federal policies and regulations.

100 E. The board of visitors may delegate the authority granted under subdivision C 78 to the president
101 of the institution. If the board elects to delegate such authority, the board shall include this delegation of
102 authority in the formal policy required by clause (iii) of subdivision C 78. In those instances where the
103 board has delegated such authority, on or before December 1 of each year, the president of the relevant
104 institution shall file a report with the relevant board of visitors disclosing each open contract entered
105 into subject to this provision, the names of the parties to each contract, the date each contract was
106 executed and its term, the subject of each contractual arrangement, the nature of the conflict of interest,
107 the institution's or the Eastern Virginia Medical School's employee responsible for administering each
108 contract, the details of the institution's or the Eastern Virginia Medical School's commitment or
109 investment of resources or finances for each contract, the details of how revenues are to be dispersed,
110 and any other information requested by the board of visitors.

111 § 2.2-3110. Further exceptions.

112 A. The provisions of Article 3 (§ 2.2-3106 et seq.) of this chapter shall not apply to:

113 1. The sale, lease or exchange of real property between an officer or employee and a governmental
114 agency, provided the officer or employee does not participate in any way as such officer or employee in
115 such sale, lease or exchange, and this fact is set forth as a matter of public record by the governing
116 body of the governmental agency or by the administrative head thereof;

117 2. The publication of official notices;

118 3. Contracts between the government or school board of a town or city with a population of less than
119 10,000 and an officer or employee of that town or city government or school board when the total of
120 such contracts between the town or city government or school board and the officer or employee of that
121 town or city government or school board or a business controlled by him does not exceed \$10,000 per

year or such amount exceeds \$10,000 and is less than \$25,000 but results from contracts arising from awards made on a sealed bid basis, and such officer or employee has made disclosure as provided for in § 2.2-3115;

4. An officer or employee whose sole personal interest in a contract with the governmental agency is by reason of income from the contracting firm or governmental agency in excess of \$10,000 per year, provided the officer or employee or a member of his immediate family does not participate and has no authority to participate in the procurement or letting of such contract on behalf of the contracting firm and the officer or employee either does not have authority to participate in the procurement or letting of the contract on behalf of his governmental agency or he disqualifies himself as a matter of public record and does not participate on behalf of his governmental agency in negotiating the contract or in approving the contract;

5. *An officer or employee whose personal interest in a contract with the governmental agency is by reason of an ownership in the contracting firm in excess of 3% of the contracting firm's equity, provided that (i) the officer or employee's ownership or other equity interest and that of any immediate family member in the contracting firm is disclosed in writing to the head of the governmental agency, which writing certifies that the officer or employee has not and will not participate in the contract negotiations on behalf of the contracting firm or the governmental agency, (ii) the head of the governmental agency makes a written finding as a matter of public record that the contract is in the best interests of the governmental agency, (iii) the officer or employee either does not have authority to participate in the procurement or letting of the contract on behalf of the governmental agency or disqualifies himself as a matter of public record, and (iv) does not participate on behalf of the governmental agency in negotiating the contract or approving the contract.*

6. Except when the governmental agency is the Virginia Retirement System, contracts between an officer's or employee's governmental agency and a public service corporation, financial institution, or company furnishing public utilities in which the officer or employee has a personal interest, provided the officer or employee disqualifies himself as a matter of public record and does not participate on behalf of his governmental agency in negotiating the contract or in approving the contract;

6-7. Contracts for the purchase of goods or services when the contract does not exceed \$500;

7-8. Grants or other payment under any program wherein uniform rates for, or the amounts paid to, all qualified applicants are established solely by the administering governmental agency; or

8-9. An officer or employee whose sole personal interest in a contract with his own governmental agency is by reason of his marriage to his spouse who is employed by the same agency, if the spouse was employed by such agency for five or more years prior to marrying such officer or employee.

B. Neither the provisions of this chapter nor, unless expressly provided otherwise, any amendments thereto shall apply to those employment contracts or renewals thereof or to any other contracts entered into prior to August 1, 1987, which were in compliance with either the former Virginia Conflict of Interests Act, Chapter 22 (§ 2.1-347 et seq.) or the former Comprehensive Conflict of Interests Act, Chapter 40 (§ 2.1-599 et seq.) of Title 2.1 at the time of their formation and thereafter. Those contracts shall continue to be governed by the provisions of the appropriate prior Act. Notwithstanding the provisions of subdivision (f) (4) of § 2.1-348 Title 2.1 in effect prior to July 1, 1983, the employment by the same governmental agency of an officer or employee and spouse or any other relative residing in the same household shall not be deemed to create a material financial interest except when one of such persons is employed in a direct supervisory or administrative position, or both, with respect to such spouse or other relative residing in his household and the annual salary of such subordinate is \$22,500 or more.