

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 1141 (Wahab)
Version: April 7, 2026
Hearing Date: April 21, 2026
Fiscal: Yes
Urgency: No
AM

SUBJECT

Public contracts: University of California executives: conflicts of interest: prohibition

DIGEST

This bill requires a University of California (U.C.) executive to, within 60 days of accepting a board of director position with a business entity, post on a U.C. website a written recusal from involvement with any future University contract decision where the business entity is a party, as provided. The bill prohibits a U.C. executive from making, participating in making, or in any way attempting to influence a contractual decision where the executive is on the board of directors of a business entity that is a party to the contract or receives compensation for consulting or advisory services from a business entity that is a party to the contract. The AG is authorized to enforce these provisions and if a violation is found by the court the contract is to be voided.

EXECUTIVE SUMMARY

The author has agreed to amend the bill to change its focus to transparency by U.C. executives serving on boards of other business entities. The U.C. Office of the President has told the Committee that it will move to a neutral position on the bill with the proposed amendments. This analysis will analyze the bill as proposed to be amended. A mockup of the amendments can be found at the end of the analysis. The bill in print was opposed by various business organizations; however, the amendments should address most of the concerns of the opposition.

The author and sponsor of the bill expressed concern with the potential conflict of interest that could arise in the scenario where a U.C. executive serves on the board of a company that contracts with the University system or University health system. The bill requires a written recusal from involvement with any future University contract decision where the business entity is a party when a U.C. executive accepts a board of directors position with that business entity. The bill prohibits a U.C. executive from making, participating in making, or in any way attempting to influence a contractual decision where the executive is on the board of directors of a business entity that is a party to the contract or receives compensation for consulting or advisory services from

a business entity that is a party to the contract. The bill passed the Senate Education Committee on a vote of 4 to 2.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Establishes the U.C. as a public trust to be administered by the Regents of the U.C.; and, grants the Regents full powers of organization and government, subject only to such legislative control as may be necessary to insure security of its funds, compliance with the terms of its endowments, statutory requirements around competitive bidding and contracts, sales of property and the purchase of materials, goods and services. (§ (9)(a), art. IX, Cal. Const.)
- 2) Prohibits an officer or employee of the U.C. from engaging in any employment, activity, or enterprise from which the officer or employee receives compensation or has a financial interest if that employment, activity, or enterprise is sponsored or funded by a university department or contract, except as provided.
 - a) Further prohibits an officer or employee from contracting on their own individual behalf as an independent contractor with any university department to provide services or goods. (Pub. Cont. Code § 10516.)

This bill, as proposed to be amended:

- 1) Requires a University of California executive to, within 60 days of accepting a board of director position with a business entity, post on a University of California website a written recusal from involvement with any future University contract decisions where the business entity is a party.
 - a) A recusal notification is to contain all of the following requirements:
 - i. The executive's name, address of employment, and date they accepted a board of director position.
 - ii. The name of the business entity for which the executive serves as a member of the board of directors.
 - iii. The type and amount of compensation, if any, provided or promised to the executive by the business entity.
 - iv. The name, address, and contact information of the office where a member of the public can request copies of any contracts with the business entity that are disclosable pursuant to the California Public Records Act or other existing law. A contract with the business entity is to be provided to the requester as soon as practicable, but no later than 30 days after the request is made.
- 2) Prohibits a University of California executive from making, participating in making, or in any way attempting to influence a contractual decision where the executive is on the board of directors of a business entity that is a party to the contract or

receives compensation for consulting or advisory services from a business entity that is a party to the contract.

- 3) Provides that the Attorney General may bring a civil action to enforce this section and, upon prevailing, shall recover attorney's fees and costs
 - a) If a court finds an executive has violated these provisions, the court is required to void the contract.
- 4) Defines the following terms for these purposes:
 - a) "business entity" means any private sector organization, regardless of its corporate form, other than a nonprofit organization organized pursuant to Section 501(c)(3) of the United States Internal Revenue Code;
 - b) "contract" means any legally enforceable agreement that establishes the rights and obligations of two or more parties, one of which is the Regents of the University of California, any University of California campus, medical center, health system, hospital, clinic, or laboratory and is for the sale or lease of real property, the sale or lease of materials, or the provision of personal or professional services; and
 - c) "executive" or "University of California executive" means a University of California employee who serves as a Chancellor of a University of California campus, a Chief Executive Officer of a University of California hospital or hospital system, or a President of a University of California health system.
- 5) Makes the following Legislative findings and declarations:
 - a) The University of California, as a public institution, is charged with responsible stewardship of public funds and it is appropriate that its leaders are held to the same high standards of integrity and transparency, as state public officials. Avoiding conflicts of interest in public procurement and public service, and transparency of public decision making, are important to build and maintain the public trust.
 - b) Article IX, Section 9 of the California Constitution provides that The Regents of the University of California are subject to such legislative control as may be necessary to ensure compliance with such competitive bidding procedures as may be made applicable to the university by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services.
 - c) It is the intent of the Legislature that conflicts of interest from outside professional activities for senior executives are handled appropriately through recusals, disclosures, and transparency, avoiding even the perception of undue influence.

COMMENTS

1. Stated need for the bill

The author writes:

The University of California system educates more than 300,000 students, employs 265,000 faculty and staff, it is the second largest employer in the State of California, and the second largest healthcare delivery system in California, only behind Kaiser. Given both its economic footprint and its vast purchasing power, it is vital that the State safeguards the investments and funds that the University manages and ensures that the UC lives up to the public benefit it provides. SB 1141 does that by stopping the private business seeking to contract with the University from providing personal financial rewards to University executives.

2. This bill seeks to provide more transparency to U.C. contract decisions when an executive serves on the board of an entity contracting with the U.C.

The author and sponsor of the bill note that existing law does not prevent private businesses from providing valuable compensation to U.C. executives, appointing them to their boards or hiring them as advisors, while also securing valuable contracts from the University at the same time. Without transparency, the author and sponsor argue, that this practice can create an air of impropriety and potentially undermine public trust. In order to address this concern the bill requires a U.C. executive to, within 60 days of accepting a board of director position with a business entity, post a written recusal from involvement with any future University contract decision where the business entity is a party on a U.C. website, as provided. The bill also prohibits a U.C. executive from making, participating in making, or in any way attempting to influence a contractual decision where the executive is on the board of directors of a business entity that is a party to the contract or receives compensation for consulting or advisory services from a business entity that is a party to the contract.

The bill applies to any contract for the sale or lease of real property, the sale or lease of materials, or the provision of personal or professional services with the Regents of the U.C., any U.C. campus, medical center, health system, hospital, clinic, or laboratory. The persons included under the definition of U.C. executive, and thus subject to the bill's provisions, are Chancellors of a U.C. campus, CEOs of a U.C. hospital or U.C. health system, and the President of a U.C. health system.

Under the bill, the AG is authorized to enforce its provisions. If a court finds a violation the contract is to be voided. This remedy is similar to the remedy under Government Code 1090, which prohibits members of the Legislature, state, county, district, judicial district, and city officers or employees from being financially interested in any contract made by them in their official capacity, or by any body or board of which they are members.

3. Stakeholder statements

The sponsor of the bill, AFSCME Local 3299, writes in support stating:

The frontline service workers at the University of California sponsor and support SB 1141, a long-overdue step toward dismantling a dangerous practice of some companies that do business with UC and high-level UC executives.

For years, we have witnessed troubling side-dealing relationships between companies who receive UC contracts and UC's senior management. We know of senior UC executives with 7-figure public salaries who have concurrent lucrative private roles with companies doing business with UC.

SB 1141 does not prevent a company from doing business at UC.

SB 1141 does not prevent UC from selecting business executives to serve as a UC executive.

SB 1141 does establish clear prohibitions against conflicts of interests.

By prohibiting conflicts of interest, SB 1141 protects integrity in the UC's contracting processes, maintains public trust, and shields state government from the damaging, scandal-baiting charges emanating from Washington DC.

The U.C. Office of the President has moved to a neutral position on the bill as it is proposed to be amended. The bill in print was opposed by various business organizations; however, the proposed amendments should address the concerns of the opposition.

SUPPORT

AFSCME Local 3299 (sponsor)

American Federation of State, County and Municipal Employees, AFL-CIO

OPPOSITION

American Staffing Association

Avid Technical Resources, Inc.

Bay Area Council

Biocom California

California Chamber of Commerce

California Hospital Association

California Life Sciences Association

California Staffing Professionals (CSP)

Central City Association of Los Angeles

Los Angeles Area Chamber of Commerce

San Diego Regional Chamber of Commerce

Santa Barbara South Coast Chamber of Commerce

Silicon Valley Leadership Group

TechNet

Valley Industry and Commerce Association

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Vizient, Inc.

West Los Angeles Chamber of Commerce

Yolo Food Bank

2 individuals

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation: None known.

PRIOR VOTES

Senate Education Committee (Ayes 4, Noes 2)

MOCK-UP OF SB 1141 (WAHAB) AS PROPOSED TO BE AMENDED¹

SECTION 1. The Legislature finds and declares all of the following:

~~(a) Due to the University of California's constitutional autonomy, the courts have found conflict of interest statutes of general application do not apply to the University of the California.~~

~~(b) The California Court of Appeals decision of *People v. Lofchie* (2014) 229 Cal.App.4th 240 found Section 1090 of the Government Code to be inapplicable to the University of California.~~

~~(c) The United States District Court of the Southern District of California held in *Regents of the University of California v. Aisen* (2016 WL 4097072) that Sections 87100 and 87407 of the Government Code, conflict of interest provisions of the Political Reform Act of 1974 (Title 9 (commencing with Section 81000) of the Government Code), do not apply to University of California faculty employees for the same reasons.~~

(a) The University of California, as a public institution, is charged with responsible stewardship of public funds and it is appropriate that its leaders are held to the same high standards of integrity and transparency, as state public officials. Avoiding conflicts of interest in public procurement and public service, and transparency of public decision making, are important to build and maintain the public trust.

(b) Article IX, Section 9 of the California Constitution provides that The Regents of the University of California are subject to such legislative control as may be necessary to ensure compliance with such competitive bidding procedures as may be made applicable to the university by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services.

(c) It is the intent of the Legislature that conflicts of interest from outside professional activities for senior executives are handled appropriately through recusals, disclosures, and transparency, avoiding even the perception of undue influence.

SEC. 2. Section 10516.1 is added to the Public Contract Code, to read:

10516.1. (a) For purposes of this section, the following definitions apply:

(1) "Business entity" means any private sector organization, regardless of its corporate form, other than a nonprofit organization organized pursuant to Section 501(c)(3) of the United States Internal Revenue Code.

~~(2) "Compensation" means a thing of value or source of income aggregating one hundred thousand dollars (\$100,000) or more in any twelve month period, or~~

¹ The amendments may include nonsubstantive changes as identified by Legislative Counsel.

~~aggregating two hundred and fifty thousand dollars (\$250,000) or more while the recipient is employed by the University of California, and includes any cash, remuneration, loan, any type of ownership interest, debt, lease, discount, retainer, fee, stipend, honoraria, equity, stock, stock option, subsidy, incentive pay, share of current or future profits, gift, donation, rebate, or kickback. "Compensation" does not include interest, dividends, distributions, or a return on the investment of personal savings or retirement funds, including those held in a mutual fund or index fund, or a loan provided by a financial or commercial lending institution provided that such types of income are generated in the regular course of business on terms available to the public without regard to the executive's official status.~~

~~(3) (2) "Contract" means any legally enforceable agreement that establishes the rights and obligations of two or more parties, one of which is the Regents of the University of California, any University of California campus, medical center, health system, hospital, clinic, laboratory, or facility or organization affiliated with the University, or any person acting on the University's behalf. "Contract" includes, but is not limited to, any agreement or laboratory and is for the sale or lease of real property, the sale or lease of materials, and or the provision of personal or professional services. "Contract" includes an evergreen contract, or an agreement that automatically renews from time to time.~~

~~(4) (3) "Executive" or "University of California executive" means a University of California employee who serves as a Chancellor of a University of California campus, a Chief Executive Officer of a University of California hospital or hospital system, or a President of a University of California health system.~~

~~(5) "Twelve months" means any 12-month period starting on or after January 1, 2028.~~

~~(b) A business entity may not bid on, enter into, renew, automatically renew, extend, or expand the scope of any contract with the Regents of the University of California if a University of California executive serves the business entity, or has served the business entity at any time within the previous twelve months, as a compensated consultant, partner, director, governor, trustee, employee, or manager. This subdivision does not prevent a business entity from receiving uncompensated volunteer services from a University of California executive.~~

~~(c) A business entity may not bid on, enter into, renew, automatically renew, extend, or expand the scope of any contract with the University of California for at least twelve months after providing or promising any University of California executive compensation of any kind.~~

~~(d) A contract entered into, renewed, automatically renewed, extended, expanded in scope, or maintained in violation of this section shall be declared void, a risk to the security of the University of California's funds, and contrary to public policy.~~

(b)(1) A University of California executive shall, within 60 days of accepting a board of director position with a business entity, post on a University of California internet website a written recusal from involvement with any future University contract decisions where the business entity is a party.

(2) A recusal notification pursuant to this subdivision shall contain all of the following requirements:

(A) The executive's name, address of employment, and date they accepted a board of director position.

(B) The name of the business entity for which the executive serves as a member of the board of directors.

(C) A declaration that the executive recuses themselves from and will avoid any participation of any kind in a University contract decision in which the business identified under subparagraph (B) is a party, that the executive will avoid communicating with any University officers or employees about a contract decision, and will not review any privileged or confidential documents that may relate to the contract decision.

(D) The type and amount of compensation, if any, provided or promised to the executive by the business entity.

(E) The name, address, and contact information of the office where a member of the public can request copies of any contracts with the business entity under subparagraph (B) that are disclosable pursuant to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code) or other existing law. A contract with the business entity shall be provided to the requester as soon as practicable, but no later than 30 days after the request is made.

(c) A University of California executive shall not make, participate in making, or in any way attempt to influence a contractual decision where the executive is on the board of directors of a business entity that is a party to the contract or receives compensation for consulting or advisory services from a business entity that is a party to the contract.

~~*(e) (d) If a court finds, in a civil action brought pursuant to subdivision (f), (e), that a business entity an executive has violated this section, the court shall enjoin the business entity from bidding on, entering into, renewing, automatically renewing, extending, or expanding the scope of any contract with the University of California for a period of twelve months from the date of the finding. void the effected contract.*~~

~~*(f) (e) The Attorney General may bring a civil action to enforce this section and, upon prevailing, shall recover attorney's fees and costs.*~~