

AMENDED IN ASSEMBLY APRIL 25, 2011

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 750

Introduced by Assembly Member Hueso

February 17, 2011

An act to add and repeal Division 5 (commencing with Section 64160) of Title 6.7 of the Government Code, relating to finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 750, as amended, Hueso. Finance: investment trust blue ribbon task force.

The California Constitution provides for the election by the people of the Treasurer and the Controller. Existing law requires the Treasurer to receive and keep in the vaults of the treasury or to deposit in banks or credit unions all moneys belonging to the state, as specified. Existing law requires the Controller to superintend the fiscal concerns of the state. Existing law requires the Controller to audit all claims against the state, and authorizes the Controller to audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

This bill would establish the investment trust blue ribbon task force to consider the viability of establishing the California Investment Trust, which would be a state bank receiving deposits of all state funds. The ~~trust would support~~ *task force would be required to consider how the investment trust could strengthen economic and community development, provide financing for housing development, public works and educational infrastructure, provide financial stability to the financial*

sector, provide individuals and businesses, reduce the cost paid by state government for banking services, lend capital to specified financial institutions, and provide for excess earnings of the trust to be used for state to supplement General Fund purposes. The bill would establish the membership of the task force, which would include designated Members of the Secretary of Business, Transportation and Housing and specified individuals with a background in finance appointed by the Legislature, and designees of the Governor, Controller, and Treasurer, or their designees, and would require the expenses of the task force to be paid by the Senate and Assembly task force to be staffed from existing resources of the Business, Transportation and Housing Agency. The bill would require the task force to report to the Legislature by December 1, 2012, on its finding and specified issues relative to the California Investment Trust, including, among other things, its recommendations relating to the viability of establishing the California Investment Trust trust, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California communities have suffered greatly since the
- 4 financial crisis of 2007. During the last several years, monthly
- 5 unemployment levels have remained above 10 percent leaving
- 6 millions of Californians out of work. Bankruptcies among small
- 7 businesses and individuals are up, capital markets are tight, and
- 8 local communities have limited resources to address their economic
- 9 and community development challenges.
- 10 (b) While Californians have been especially hard hit in this
- 11 recession, residents of other states have also suffered. In
- 12 responding to the sluggish capital markets, several states, including
- 13 Maine, Oregon, Rhode Island, and Washington, are examining
- 14 the appropriateness of creating a state bank.
- 15 (c) The creation of the California Investment Trust could serve
- 16 to more effectively meet the financial needs of the state including,
- 17 but not limited to, the following:
- 18 (1) Supporting the economic development of California by
- 19 increasing access to capital for businesses in the state.

1 (2) *Providing financing for housing development, public works*
2 *infrastructure, educational infrastructure, student loans, and*
3 *community quality of life projects.*

4 (3) *Providing stability to the local financial sector.*

5 (4) *Reducing the cost paid by state government for banking*
6 *services.*

7 (5) *Lending capital to banks, credit unions, and nonprofit*
8 *community development financial institutions to assist in meeting*
9 *their goals of increasing access to capital and providing banking*
10 *services.*

11 **SECTION 1.**

12 **SEC. 2.** Division 5 (commencing with Section 64160) is added
13 to Title 6.7 of the Government Code, to read:

14 **DIVISION 5. INVESTMENT TRUST BLUE RIBBON TASK**
15 **FORCE**
16

17
18 64160. (a) There is hereby established the investment trust
19 blue ribbon task force. *The task force shall be convened by the*
20 *Secretary of Business, Transportation and Housing.*

21 (b) The task force shall be composed of the following members:

22 (1) *The Secretary of Business, Transportation and Housing.*

23 ~~(1)~~

24 (2) The Senate Committee on Rules shall appoint ~~one member~~
25 ~~from each of the two largest caucuses of the Senate.~~ *two individuals*
26 *representing and having a background in one or more areas of*
27 *finance, including, but not limited to, individuals working in*
28 *for-profit and nonprofit financial and academic institutions, and*
29 *economic development practitioners.*

30 ~~(2)~~

31 (3) The Speaker of the Assembly shall appoint ~~one member~~
32 ~~from each of the two largest caucuses of the Assembly.~~ *two*
33 *individuals representing and having a background in one or more*
34 *areas of finance, including, but not limited to, individuals working*
35 *in for-profit and nonprofit financial and academic institutions,*
36 *and economic development practitioners.*

37 ~~(3) The Senate Committee on Rules and the Speaker of the~~
38 ~~Assembly, jointly, shall appoint members representing a small~~
39 ~~sized state-chartered bank, a medium sized state-chartered bank,~~

1 a federally chartered bank, local governments, and four citizens
2 with a background in financial issues.

3 (4) *The Governor shall appoint five members representing and*
4 *having a background in one or more areas of finance, including,*
5 *but not limited to, individuals working in for-profit and nonprofit*
6 *financial and academic institutions, and economic development*
7 *practitioners.*

8 ~~(4)~~

9 (5) The Controller, Treasurer, and Governor shall each appoint,
10 or their designees who shall be members of the task force.

11 (c) (1) The task force shall choose its chair from among its
12 membership. The *Secretary of Business, Transportation and*
13 *Housing and the legislative members of the task force shall*
14 *convene the initial meeting of the task force on or before February*
15 *1, 2012.*

16 (2) *At the first meeting, a quorum shall constitute a majority*
17 *plus one of the members serving on and appointed to the task force*
18 *at the time the meeting is convened. Thereafter, a quorum shall*
19 *constitute a majority of the members plus one who are eligible to*
20 *serve on the task force.*

21 (3) *A quorum is not necessary for conducting meetings except*
22 *for meetings where the draft report and final report are to be voted*
23 *upon.*

24 (d) The purpose of the task force shall be to consider the viability
25 of establishing the California Investment Trust, which would be
26 a state bank receiving deposits of all state funds, and to report to
27 the Legislature pursuant to Section 64161. ~~The California~~
28 ~~Investment Trust would do all of the following:~~

29 ~~(1) Support the economic development of California by~~
30 ~~increasing access to capital for businesses and farms in the state.~~

31 ~~(2) Provide financing for housing development, public works~~
32 ~~infrastructure, educational infrastructure, student loans, and~~
33 ~~community quality of life projects.~~

34 ~~(3) Provide stability to the local financial sector.~~

35 ~~(4) Reduce the cost paid by state government for banking~~
36 ~~services.~~

37 ~~(5) Lend capital to banks, credit unions, and nonprofit~~
38 ~~community development financial institutions to assist in meeting~~
39 ~~their goals of increasing access to capital and providing banking~~
40 ~~services.~~

1 ~~(6) Provide for any earnings of the trust, beyond those necessary~~
2 ~~for continued operation of the trust, to be used for General Fund~~
3 ~~purposes.~~

4 ~~(e) The task force may employ staff support. All expenses of~~
5 ~~the task force shall be paid by the Senate and Assembly, jointly,~~
6 ~~and expenditures of the task force shall be subject to approval of~~
7 ~~the Senate Committee on Rules and the Assembly Committee on~~
8 ~~Rules.~~

9 *(e) In undertaking its work, the task force shall consider one or*
10 *more models for structuring the California Investment Trust.*
11 *Among other things, the task force shall do the following:*

12 *(1) Undertake a general assessment of the state's current*
13 *network of public and private financial resources for the purpose*
14 *of identifying potential areas of state trust focus. Among other*
15 *resource issues, the task force shall consider, at a minimum, how*
16 *a state trust could be designed to do the following:*

17 *(A) Strengthen the economic and community development needs*
18 *of California.*

19 *(B) Provide greater financial stability to individuals and*
20 *businesses.*

21 *(C) Reduce the cost paid by state government for banking*
22 *services.*

23 *(D) Generate earnings beyond those necessary for continued*
24 *operation of the trust, which could be used to supplement the*
25 *General Fund.*

26 *(2) Consider the types of financial products that could be offered*
27 *to address currently unmet financial needs and more efficiently*
28 *deliver existing financial resources and products. The task force*
29 *shall take a broad view in assessing individual-, business-, and*
30 *community-level financial needs including, but not limited to,*
31 *products that improve access to capital for businesses, farmers,*
32 *homeowners, students, the unbanked, and local governments.*

33 *(3) Examine various administrative and operational structures*
34 *for organizing a trust including, but not limited to, boards of*
35 *directors, sources of deposits, oversight and audit of financial*
36 *activities, and guarantees of financial products.*

37 *(4) Consider options for integrating a state trust model into the*
38 *existing state financial resource network including, but not limited*
39 *to, ideas such as lending capital to banks, credit unions, and*
40 *nonprofit community development financial institutions.*

1 (f) (1) *The task force shall be staffed from existing resources*
 2 *of the Business, Transportation and Housing Agency.*

3 (2) *Appointed task force members shall be reimbursed solely*
 4 *for the actual travel costs for attending meetings. Costs associated*
 5 *with state government officials attending meetings shall be paid*
 6 *by the respective government entities.*

7 ~~(f)~~

8 (g) *The task force may consult with individuals from the public*
 9 *and private sector and establish an advisory committee to assist*
 10 *the task force in creating the report required under Section 64161.*
 11 *If the task force establishes an advisory committee, the members*
 12 *of the committee shall not be entitled to any expense*
 13 *reimbursement.*

14 64161. (a) *The task force shall, pursuant to Section 9795,*
 15 *report to the Legislature on its findings and recommendations*
 16 *relating to the viability of establishing the California Investment*
 17 *Trust. The report shall be submitted by December 1, 2012, and*
 18 *shall review and make recommendations on all of the following:*

19 ~~(a) A strategic plan that would implement the purposes of the~~
 20 ~~trust, as set forth in subdivision (c) of Section 64160.~~

21 ~~(b) Capital requirements of the trust.~~

22 ~~(c) Sound underwriting practices for the trust.~~

23 ~~(d) Standards to ensure that loans from the trust result in the~~
 24 ~~outcomes described in the approved loan applications.~~

25 ~~(e) Recommended quarterly reports by the trust.~~

26 ~~(f) Transition of state financing functions to the trust.~~

27 ~~(g) A timeline for depositing state moneys into the trust.~~

28 ~~(h) Cash management and banking needs of the state.~~

29 ~~(i) Transparency requirements for trust operations.~~

30 ~~(j) Ethics and conflict-of-interest requirements for management~~
 31 ~~of the trust.~~

32 ~~(k) Any additional legislation that is recommended or necessary.~~

33 ~~(l) Initial capitalization options for the trust. to the Legislature~~
 34 ~~by December 1, 2012.~~

35 (b) *The report shall address, at a minimum, all of the following:*
 36 (1) *A recommendation on the viability of establishing the*
 37 *California Investment Trust.*

38 (2) *A list of issues and, to the extent determined, findings relative*
 39 *to the considerations identified in subdivision (e) of Section 64160.*

1 (c) *To the extent that the task force recommendation is*
2 *supportive of the establishment of the California Investment Trust,*
3 *the task force shall also provide information on the next steps for*
4 *establishing the trust including, but not limited to,*
5 *recommendations on the following:*

6 (1) *The administrative structure of the trust.*

7 (2) *The capital requirements for the trust's initial capitalization*
8 *and for ongoing operations.*

9 (3) *How the initial capitalization can be achieved and how*
10 *operating costs could be paid.*

11 (4) *The oversight of the trust to protect the interests of the state*
12 *and the rights of individuals and entities that may access the*
13 *products or services, or both, of the trust.*

14 (5) *An outline of transition actions necessary for establishing*
15 *the trust.*

16 (6) *A draft of statutory and constitutional changes that may be*
17 *necessary to establish the trust.*

18 64162. This division shall become inoperative and is repealed
19 on January 1, 2017, pursuant to Section 10231.5.