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AMENDED IN ASSEMBLY MAY 27, 2011
AMENDED IN ASSEMBLY MAY 5, 2011
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
(Coauthors: Assembly Members Gatto, Roger Hernández, Lara,
and Perea)
(Coauthors: Senators Evans, Hancock, and Pavley)

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 state funds. The task force would be required to consider how the investment trust could strengthen economic and community development, provide financial stability to ~~individuals and~~ businesses, reduce the cost paid by state government for banking services, and provide for excess earnings of the trust to be used to supplement General Fund purposes. The bill would establish the membership of the task force, which would include the Secretary of Business, Transportation and Housing, or his or her designee, and specified individuals with a background in finance appointed by the Legislature, and the Governor, Controller, and Treasurer, or their designees, and would require the task force to be staffed ~~from existing resources of the Business, Transportation and Housing Agency~~ by an organization selected by the task force that is a nonprofit corporation, or other private corporation that has specified expertise, including expertise in public finance and public institutions models. The bill would require the task force to report to the Legislature by December 1, 2012, on specified issues relative to the California Investment Trust, including, among other things, its recommendations relating to the viability of establishing the trust, as specified. The bill's provisions would become inoperative, and would be repealed, on January 1, 2017.

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.

1 (b) While Californians have been especially hard hit in this
2 recession, residents of other states have also suffered. In responding
3 to the sluggish capital markets, several states, including Maine,
4 Oregon, Rhode Island, and Washington, are examining the
5 appropriateness of creating a state bank.

6 (c) The creation of the California Investment Trust could serve
7 to more effectively meet the financial needs of the state, including,
8 but not limited to, the following:

9 (1) Supporting the economic development of California by
10 increasing access to capital for businesses in the state.

11 (2) Providing financing for housing development, public works
12 infrastructure, educational infrastructure, student loans, and
13 community quality of life projects.

14 (3) Providing stability to the local financial sector.

15 (4) Reducing the cost paid by state government for banking
16 services.

17 (5) Lending capital to banks, credit unions, and nonprofit
18 community development financial institutions to assist in meeting
19 their goals of increasing access to capital and providing banking
20 services.

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

23

24 DIVISION 5. INVESTMENT TRUST BLUE RIBBON TASK
25 FORCE

26

27 64160. (a) There is hereby established the investment trust
28 blue ribbon task force. The task force shall be convened by the
29 Secretary of Business, Transportation and Housing.

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

31 (1) The Secretary of Business, Transportation and Housing or
32 his or her designee.

33 (2) The Senate Committee on Rules shall appoint ~~two~~
34 ~~individuals~~ *one individual* representing and having a background
35 in one or more areas of finance, including, but not limited to,
36 ~~individuals~~ working in for-profit and nonprofit financial and
37 academic institutions, ~~and or working in~~ economic development
38 practitioners.

39 (3) The Speaker of the Assembly shall appoint ~~two individuals~~
40 *one individual* representing and having a background in one or

1 more areas of finance, including, but not limited to, ~~individuals~~
2 working in for-profit and nonprofit financial and academic
3 institutions, ~~and or working in~~ economic development practitioners.

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

9 (5) The Controller, Treasurer, and Governor, or their designees,
10 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 members of the task force shall convene the initial
14 meeting of the task force on or before February 1, 2012.

15 (2) A quorum shall constitute a majority plus one of the
16 members serving on and appointed to the task force at the time the
17 meeting is convened.

18 (3) A quorum is not necessary for conducting meetings except
19 for meetings where the draft report and final report are to be voted
20 upon.

21 (d) The purpose of the task force shall be to consider the viability
22 of establishing the California Investment Trust, which would be
23 a state bank receiving deposits of state funds, and to report to the
24 Legislature pursuant to Section 64161.

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

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

33 (A) Strengthen the economic and community development needs
34 of California.

35 (B) Provide greater financial stability to ~~individuals~~ and
36 businesses *through its investments in other financial institutions*.

37 (C) Reduce the cost paid by state government for banking
38 services.

1 (D) Generate earnings beyond those necessary for continued
2 operation of the trust, which could be used to supplement the
3 General Fund.

4 ~~(2) Consider the types of financial products that could be offered
5 to address currently unmet financial needs and more efficiently
6 deliver existing financial resources and products. The task force
7 shall take a broad view in assessing individual-, business-, and
8 community-level financial needs, including, but not limited to,
9 products that improve access to capital for businesses, farmers,
10 homeowners, students, the unbanked, and local governments.~~

11 ~~(2) Support a strong private sector financial community that
12 will provide capital for businesses in California.~~

13 (3) Examine various administrative and operational structures
14 for organizing a trust, including, but not limited to, boards of
15 directors, sources of deposits, oversight and audit of financial
16 activities, and guarantees of financial products.

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

21 (f) (1) The task force shall be staffed by an organization selected
22 by the task force that shall be a nonprofit corporation or other
23 private organization that has specific expertise in public finance
24 and public institutions models and other expertise as necessary to
25 provide the management, information, analysis, review, and
26 reporting required to meet the goals of the task force. *The selection
27 of an organization to staff the task force shall be agreed to by at
28 least two-thirds of the membership of the task force.*

29 (2) Appointed task force members shall be reimbursed solely
30 for the actual travel costs for attending meetings. Costs associated
31 with state government officials attending meetings shall be paid
32 by the respective government entities.

33 (g) The task force may consult with individuals from the public
34 and private sector and establish an advisory committee to assist
35 the task force in creating the report required under Section 64161.
36 If the task force establishes an advisory committee, the members
37 of the committee shall not be entitled to any expense
38 reimbursement.

1 64161. (a) The task force shall, pursuant to Section 9795,
2 report to the Legislature by December 1, 2012. *The report shall*
3 *represent the views of a majority of the task force members.*

4 (b) The report shall address, at a minimum, all of the following:

5 (1) A recommendation on the viability of establishing the
6 California Investment Trust.

7 (2) A list of issues and, to the extent determined, findings
8 relative to the considerations identified in subdivision (e) of Section
9 64160.

10 (c) To the extent that the task force recommendation is
11 supportive of the establishment of the California Investment Trust,
12 the task force shall also provide information on the next steps for
13 establishing the trust, including, but not limited to,
14 recommendations on the following:

15 (1) The administrative structure of the trust.

16 (2) The capital requirements for the trust's initial capitalization
17 and for ongoing operations.

18 (3) How the initial capitalization can be achieved and how
19 operating costs could be paid.

20 (4) *Whether the California Investment Trust should be created*
21 *as a separate entity or by modifying or expanding the California*
22 *Infrastructure and Economic Development Bank.*

23 (5) *The manner in which the trust should be regulated to protect*
24 *the safety and soundness of the institution and its depositors, and*
25 *to avoid conflicts of interest that could arise from state regulation*
26 *of the trust.*

27 (6) *The extent to which the trust should be allowed to compete*
28 *with retail banking establishments operating in California.*

29 ~~(4)~~

30 (7) The oversight of the trust to protect the interests of the state
31 and the rights of individuals and entities that may access the
32 products or services, or both, of the trust.

33 ~~(5)~~

34 (8) An outline of transition actions necessary for establishing
35 the trust.

36 ~~(6)~~

37 (9) A draft of statutory and constitutional changes that may be
38 necessary to establish the trust.

39 (d) *The report may include findings from the organization*
40 *selected to staff the task force pursuant to subdivision (f) of Section*

1 *64160 relative to the information specified in subdivisions (b) and*
2 *(c), but shall represent the conclusions and recommendations of*
3 *the majority of the task force membership.*

4 64162. This division shall become inoperative and is repealed
5 on January 1, 2017, pursuant to Section 10231.5.

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