

**Assembly Bill No. 750**

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Passed the Assembly September 9, 2011

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*Chief Clerk of the Assembly*

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Passed the Senate September 8, 2011

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

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, 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 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 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 and its impact on state government services, as specified. The bill's provisions would become inoperative, and would be repealed, on January 1, 2017.

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

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

(a) California communities have suffered greatly since the financial crisis of 2007. During the last several years, monthly unemployment levels have remained above 10 percent leaving millions of Californians out of work. Bankruptcies among small businesses are up, capital markets are tight, and local communities have limited resources to address their economic and community development challenges.

(b) While Californians have been especially hard hit in this recession, residents of other states have also suffered. In responding to the sluggish capital markets, several states are examining the appropriateness of creating a state bank.

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

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

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

(3) Providing stability to the local financial sector.

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

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

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

DIVISION 5. INVESTMENT TRUST BLUE RIBBON TASK  
FORCE

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

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

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

(2) The Senate Committee on Rules shall appoint one individual representing and having a background in one or more areas of finance, including, but not limited to, working in for-profit and nonprofit financial and academic institutions, local government finances, or economic development.

(3) The Speaker of the Assembly shall appoint one individual representing and having a background in one or more areas of finance, including, but not limited to, working in for-profit and nonprofit financial and academic institutions, local government finances, or economic development.

(4) The Governor shall appoint three members representing and having a background in one or more areas of finance, including, but not limited to, individuals working in for-profit and nonprofit financial and academic institutions, local government finances, or economic development.

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

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

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

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

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

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

(1) Undertake a general assessment of the state's current network of public and private financial resources and assess the impact on government services, including public and private banking services, for the purpose of identifying potential areas of state trust focus. Among other resource issues, the task force shall consider, at a minimum, how a state trust could be designed to do the following:

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

(B) Provide greater financial stability to businesses through its investments in other financial institutions.

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

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

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

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

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

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

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

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

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

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

(1) A recommendation on the viability of establishing the California Investment Trust and its impact on state government services, including public and private banking services.

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

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

(1) The administrative structure of the trust.

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

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

(4) Whether the California Investment Trust should be created as a separate entity or by involving, using, modifying, or expanding the California Infrastructure and Economic Development Bank, the Pooled Money Investment Account, the State Treasury system, or the functions of any other state agency.

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

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

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

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

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

(d) The report may include findings from the organization selected to staff the task force pursuant to subdivision (f) of Section 64160 relative to the information specified in subdivisions (b) and (c), but shall represent the conclusions and recommendations of the majority of the task force membership.

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

Approved \_\_\_\_\_, 2011

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*Governor*