

ASSEMBLY BILL

No. 1551

Introduced by Assembly Member Travis Allen

January 4, 2016

An act to amend Sections 16649.80, 16649.81, 16649.82, 16649.83, 16649.84, 16649.86, 16649.88, and 16649.89 of, and to add Section 16649.85 to, the Government Code, relating to state funds.

LEGISLATIVE COUNSEL'S DIGEST

AB 1551, as introduced, Travis Allen. State funds: divestment: foreign boycotts of Israel.

Existing law prohibits state trust funds, as defined, from making, holding, or renewing investments in business firms or financial institutions that engage in discriminatory business practices in furtherance of, or in compliance with, the Arab League's economic boycott of Israel, as specified. Existing law also prohibits state moneys, as defined, from being deposited with financial institutions that engage in those discriminatory business practices.

This bill would enact the California Israel Commerce Protection Act. The bill would additionally apply those prohibitions to investment in business firms or financial institutions that engage in discriminatory business practices in furtherance or in compliance with the boycott of Israel, as defined. The bill would require state trust funds to use the most recent federal report on politically motivated acts of boycott, divestment from, and sanctions against Israel to determine which business firms and financial institutions engage in those practices. The bill would make conforming changes and related findings and declarations.

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. This act shall be known and may be cited as the
2 California Israel Commerce Protection Act.

3 SEC. 2. The Legislature finds and declares as follows:

4 (a) The United States and Israel have a unique bond based on
5 their shared, enduring values, which are reflected in the virtues
6 and principles of freedom and democracy, and have stood together
7 as allies since Israel was first formed as a nation.

8 (b) For years, California and Israel have established business
9 partnerships and trade relations with each other, and those
10 partnerships have helped enhance the agricultural, educational,
11 energy, entertainment, health, medical, scientific, and water policies
12 in California, Israel, and the United States.

13 (c) On March 5, 2014, as the culmination of an effort started as
14 Assembly Bill 1032 of the 2009–10 Regular Session, the Governor
15 of California and the Prime Minister of Israel signed a
16 memorandum of understanding (MOU) for strategic partnerships
17 for joint innovation, exchanges, and cooperation between California
18 and Israel.

19 (d) In July 2015, the Legislature affirmed its support for the
20 MOU by passing Senate Concurrent Resolution 25, noting that
21 participants in the MOU had already expanded cooperation between
22 Israel and California in areas such as alternative energy, agriculture,
23 business innovation, and academia, and declaring that collaboration
24 with Israel will foster peace and democracy in the Middle East.

25 (e) Public retirement systems in this state currently invest on
26 behalf of the citizens of California in publicly traded foreign
27 companies that may be at risk due to ties with businesses that are
28 publicly boycotting Israel.

29 (f) Investments in publicly traded foreign companies that have
30 business operations with a company that boycotts Israel risk the
31 pensions of the dedicated public employees of this state.

32 (g) Excluding and divesting from companies that boycott Israel
33 and from portfolios that include those companies will help protect
34 the public retirement systems in this state from investment losses

1 related to these business activities and may improve the investment
2 performance of the public retirement systems.

3 (h) Israel is recognized around the world as the strongest
4 democratically elected government in the Middle East and is an
5 American ally, and that nation's democracy and relationship with
6 the United States add to the security and strength of California.

7 (i) It is unconscionable for this state to invest in companies that
8 boycott Israel, as California has long standing social, political, and
9 economic partnerships with the State of Israel.

10 SEC. 3. Section 16649.80 of the Government Code is amended
11 to read:

12 16649.80. The definitions in this section shall govern the
13 construction and interpretation of this chapter.

14 (a) "Investment" or "invest" means the commitment of funds
15 or other assets to a business firm, including a loan or other
16 extension of credit made to that firm, or security given for the other
17 assets to that business enterprise, or the beneficial ownership or
18 control of a share or interest in that business firm, or of a bond or
19 other debt instrument issued by that business firm.

20 (b) "Business firm" means any foreign or domestic organization,
21 association, corporation, partnership, venture, or other entity, its
22 subsidiary, or affiliate which exists for profitmaking purposes or
23 to otherwise secure economic advantage, other than a financial
24 institution.

25 (c) "Financial institution" means any foreign or domestic bank,
26 bank holding company, savings and loan association, or credit
27 union, or any foreign or domestic insurance company, brokerage
28 firm, securities firm, investment company, mortgage banking
29 company, finance company, personal property broker, mortgage
30 loan broker, or consumer credit company, or any affiliate or
31 subsidiary thereof.

32 (d) "Business arrangements" means projects, ventures,
33 undertakings, contractual relations, or other efforts requiring
34 ongoing or periodic performance by either or both parties.

35 (e) "Discriminatory business practices" means business
36 arrangements that are prohibited by Sections 16721 and 16721.5
37 of the Business and Professions Code.

38 (f) "State trust moneys" means funds administered by the Public
39 Employees' Retirement Fund, the Legislators' Retirement Fund,
40 the State Teachers' Retirement Fund, the Judges' Retirement Fund,

1 the Judges' Retirement System II Fund, the Volunteer Firefighter
2 Fund, the General Fund portion of the University of California
3 Retirement Fund, and any funds invested pursuant to this part.

4 (g) "State trust fund" means the Public Employees' Retirement
5 Fund, the Legislators' Retirement Fund, the State Teachers'
6 Retirement Fund, the Judges' Retirement Fund, the Judges'
7 Retirement System II Fund, the Volunteer Firefighter Fund, and
8 any investment fund created by this part.

9 (h) "State moneys" means all money, bonds, and securities in
10 possession of or collected by any state agency.

11 (i) "Compliance with the Arab League's economic boycott of
12 Israel" means taking any action, with respect to the boycott of
13 Israel by Arab countries, which is prohibited by the United States
14 Export Administration Act of 1979.

15 (j) *"Compliance with the boycott of Israel" means taking any*
16 *action in compliance with an action by a foreign government,*
17 *international organization, or affiliated agency of an international*
18 *organization, that is politically motivated and intended to penalize*
19 *or otherwise limit commercial relations specifically with Israel or*
20 *persons doing business in Israel or in Israeli-controlled territories.*

21 SEC. 4. Section 16649.81 of the Government Code is amended
22 to read:

23 16649.81. (a) On or after January 1, 1994, state trust moneys
24 shall not be used to make additional or new investments or to renew
25 existing investments in business firms that engage in discriminatory
26 business practices in furtherance of or in compliance with the Arab
27 League's economic boycott of Israel.

28 (b) *On or after January 1, 2017, state trust moneys shall not be*
29 *used to make additional or new investments or to renew existing*
30 *investments in business firms that engage in discriminatory*
31 *business practices in furtherance of or in compliance with the*
32 *boycott of Israel.*

33 SEC. 5. Section 16649.82 of the Government Code is amended
34 to read:

35 16649.82. (a) *Subdivision (a) of Section 16649.81 shall not*
36 *apply to any business firm—~~which~~, that, by resolution of its*
37 *governing body, adopts a policy not to renew existing, expand*
38 *existing, or engage in new, discriminatory business practices in*
39 *furtherance of or in compliance with the Arab League's economic*
40 *boycott of Israel. The resolution required by this section shall*

1 include the following statement: “____ (name of business firm)
2 agrees not to renew existing, expand existing, or engage in new,
3 discriminatory business practices in furtherance of or in compliance
4 with the Arab League’s economic boycott of Israel.”

5 *(b) Subdivision (b) of Section 16649.81 shall not apply to any*
6 *business firm that, by resolution of its governing body, adopts a*
7 *policy not to renew existing, expand existing, or engage in new,*
8 *discriminatory business practices in furtherance of or in*
9 *compliance with the boycott of Israel. The resolution required by*
10 *this section shall include the following statement: “____ (name*
11 *of business firm) agrees not to renew existing, expand existing, or*
12 *engage in new, discriminatory business practices in furtherance*
13 *of or in compliance with the boycott of Israel.”*

14 SEC. 6. Section 16649.83 of the Government Code is amended
15 to read:

16 16649.83. (a) On or after January 1, 1994, state trust moneys
17 shall not be used to make additional or new investments or to renew
18 existing investments in financial institutions that engage in
19 discriminatory business practices in furtherance of or in compliance
20 with the Arab League’s economic boycott of Israel.

21 *(b) On or after January 1, 2017, state trust moneys shall not be*
22 *used to make additional or new investments or to renew existing*
23 *investments in financial institutions that engage in discriminatory*
24 *business practices in furtherance of or in compliance with the*
25 *boycott of Israel.*

26 SEC. 7. Section 16649.84 of the Government Code is amended
27 to read:

28 16649.84. (a) *Subdivision (a) of Section 16649.83 shall not*
29 *apply to any financial institution*~~which~~*, that, by resolution of its*
30 *governing body, adopts a policy not to renew existing, expand*
31 *existing, or engage in new, discriminatory business practices in*
32 *furtherance of or in compliance with the Arab League’s economic*
33 *boycott of Israel. The resolution required by this section shall*
34 *include the following statement: “____ (name of financial*
35 *institution) agrees not to renew existing, expand existing, or engage*
36 *in new, discriminatory business practices in furtherance of or in*
37 *compliance with the Arab League’s economic boycott of Israel.”*

38 *(b) Subdivision (b) of Section 16649.83 shall not apply to any*
39 *financial institution that, by resolution of its governing body,*
40 *adopts a policy not to renew existing, expand existing, or engage*

1 *in new, discriminatory business practices in furtherance of or in*
2 *compliance with the boycott of Israel. The resolution required by*
3 *this section shall include the following statement: “_____ (name*
4 *of financial institution) agrees not to renew existing, expand*
5 *existing, or engage in new, discriminatory business practices in*
6 *furtherance of or in compliance with the boycott of Israel.”*

7 SEC. 8. Section 16649.85 is added to the Government Code,
8 to read:

9 16649.85. Beginning January 1, 2017, and annually thereafter,
10 state trust funds shall use the most recent federal report on
11 politically motivated acts of boycott, divestment from, and
12 sanctions against Israel to determine which business firms and
13 financial institutions engage in discriminatory business practices
14 in furtherance of or in compliance with the boycott of Israel.

15 SEC. 9. Section 16649.86 of the Government Code is amended
16 to read:

17 16649.86. (a) A copy of a resolution, as described in Sections
18 16649.82 and 16649.84, shall be submitted to the Treasurer and
19 to the chief administrative officer of each state trust fund.
20 Information shall also be submitted by business firms that provides
21 a description of the discriminatory business practices in furtherance
22 of or in compliance with the Arab League’s economic boycott of
23 Israel *or in compliance with the boycott of Israel* in existence as
24 of the date of the resolution.

25 (b) The copy of a resolution shall be accompanied by a
26 certification, under penalty of perjury, that the adopted policy is
27 being complied with. Annually thereafter a certification, under
28 penalty of perjury, that the adopted policy is being complied with
29 shall be submitted to the Treasurer.

30 (c) The resolution and the information submitted to the Treasurer
31 shall be deemed public documents and shall be open to public
32 inspection.

33 SEC. 10. Section 16649.88 of the Government Code is amended
34 to read:

35 16649.88. (a) Effective January 1, 1998, state trust funds shall
36 not make or hold any investment in any business firm or financial
37 institution that engages in discriminatory business practices in
38 furtherance of or in compliance with the Arab League’s economic
39 boycott of Israel.

1 ***(b) Effective January 1, 2017, state trust funds shall not make***
2 ***or hold any investment in any business firm or financial institution***
3 ***that engages in discriminatory business practices in furtherance***
4 ***of or in compliance with the boycott of Israel.***

5 SEC. 11. Section 16649.89 of the Government Code is amended
6 to read:

7 16649.89. ***(a) State moneys shall not be deposited with***
8 ***financial institutions that, following January 1, 1994, engage in***
9 ***discriminatory business practices in furtherance of or in compliance***
10 ***with the Arab League's economic boycott of Israel.***

11 ***(b) State moneys shall not be deposited with financial institutions***
12 ***that, following January 1, 2017, engage in discriminatory business***
13 ***practices in furtherance of or in compliance with the boycott of***
14 ***Israel.***