

File No. 200788

Committee Item No. \_\_\_\_\_

Board Item No. 41

## COMMITTEE/BOARD OF SUPERVISORS

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Date: \_\_\_\_\_

Board of Supervisors Meeting

Date: July 28, 2020

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- Assembly Bill No. 310 - 06/26/20
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Prepared by: Lisa Lew

Date: July 24, 2020

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

1 [Supporting California State Assembly Bill No. 310 (Santiago) - The California Public Banking  
2 Act]

3 **Resolution supporting California State Assembly Bill No. 310, authored by Assembly**  
4 **Member Miguel Santiago and co-authored by Assembly Members David Chiu, Buffy**  
5 **Wicks, Ash Kalra, Lorena Gonzalez, and Mike Gipson, and Senators Ben Hueso, Lena**  
6 **Gonzalez, and Scott Weiner, to restructure the Infrastructure and Economic**  
7 **Development Bank as a depository public state bank to aid in recovery efforts related**  
8 **to COVID-19 and the subsequent economic recession.**

9

10 WHEREAS, California’s local and state governments are projecting calamitous revenue  
11 shortfalls due to the COVID-19 pandemic; and

12 WHEREAS, Both the state and local governments, especially those serving low-income  
13 communities of color, will be forced to consider cuts to critical services such as schools, food  
14 programs and public health, which will disproportionately harm communities of color; and

15 WHEREAS, Many small businesses have been forced to close, and of those,  
16 particularly those owned by disadvantaged and underrepresented people of color, many may  
17 never return; and

18 WHEREAS, The Paycheck Protection Program loans funded by a federal stimulus  
19 package and distributed by large commercial banks, were lauded as being in support of  
20 businesses-- including hard-hit small businesses-- but widely critiqued as disproportionately  
21 benefitting large corporate businesses as a result of decisions by the commercial banks; and

22 WHEREAS, Some of the biggest commercial banks, including JPMorgan Chase,  
23 Citibank and U.S. Bank, prioritized the applications of their wealthiest clients before turning to  
24 other loan seekers, and their denials disproportionately impacted people of color-owned  
25 businesses; and

1           WHEREAS, California taxpayer money is currently held in private commercial banks  
2 that often engage in socially and environmentally destructive practices, including predatory  
3 lending practices targeting low-income communities of color, fossil fuel extraction, firearms,  
4 prisons and detention centers, and which charge government entities high interest rates on  
5 loans for retrofitting our schools and hospitals; and

6           WHEREAS, A bank owned by the State of California would allow for more public  
7 control, transparency, accountability for taxpayer dollars, and allow the State to explore more  
8 sustainable community investments including affordable housing development, small business  
9 development, loans to low-income households, public transit, infrastructure, renewable  
10 energy, and more; and

11           WHEREAS, The State of North Dakota has had a public bank since 1919, and while  
12 celebrating its 100th anniversary in 2019 the Bank of North Dakota also recorded its 16th  
13 consecutive year of record profits, with \$169 million in net earnings; and

14           WHEREAS, A recent study showed that thanks to the Bank of North Dakota, the state  
15 of North Dakota outperformed nearly every state in the country in distributing the most federal  
16 paycheck protection program loans per worker per state; and

17           WHEREAS, The Bank of North Dakota serves as evidence that a state-owned public  
18 bank is not only viable but can have deep and long-lasting positive impact on the economic  
19 development of a state, its residents and businesses; and

20           WHEREAS, A public bank is defined as a financial institution owned by one or more  
21 public entities such as a state, city, or county; and

22           WHEREAS, California State Assembly Bill No. 310 was authored by Assembly Member  
23 Miguel Santiago and co-authored by Assembly Members David Chiu, Buffy Wicks, Ash Kalra,  
24 Lorena Gonzalez and Mike Gipson, and Senators Ben Hueso, Lena Gonzalez and Scott  
25 Weiner, to deepen investments in California residents and small businesses while creating

1 more economic independence from large commercial banks that too often do not represent  
2 the public interest; and

3 WHEREAS, Assembly Bill No. 310, as amended by Assembly Member Miguel  
4 Santiago, would restructure the California Infrastructure and Economic Development Bank  
5 (IBank) that was founded in 1994 to finance public infrastructure and private development, to  
6 instead covert the IBank into a publicly-owned depository bank to invest in recovery lending  
7 for California communities; and

8 WHEREAS, Assembly Bill No. 310 will provide COVID-19 relief by expanding the  
9 lending capacity of the Infrastructure and Economic Development Bank (IBank), allowing the  
10 insitution to be eligible to receive deposits from state and local sources, and allowing for  
11 direct lending to local community banks, credit unions, local governments and small  
12 businesses in need of support during the economic recession related to the COVID-19 public  
13 health pandemic;

14 WHEREAS, Assembly Bill No. 310 will also expand the IBank's ability to provide  
15 targeted financing, through partnerships with community development financial institutions  
16 and local financial institutions, to expand access to capital and credit for disadvantaged  
17 business owners in urban and rural settings; and

18 WHEREAS, Assembly Bill No. 310 will provide bridge loans to meet the emergency  
19 credit needs of California local governments and local agencies to prevent furloughs and  
20 layoffs and cuts to critical services; and

21 WHEREAS, The creation of a California State Public Bank is part of the larger financial  
22 ecosystem that compliments municipal and regional public bank efforts to break our  
23 dependence on Wall Street and large commercial banks; and

24  
25

1           WHEREAS, Governor Gavin Newsom and other state elected leaders have repeatedly  
2 publicly supported a public state bank, calling for an economy independent of corporate  
3 influence; and

4           WHEREAS, As the City of San Francisco and other municipalities search for funding  
5 for small business and worker relief in response to the COVID-19 crisis and subsequent  
6 economic recession, a California Public Bank could be the mechanism to allow for low-cost  
7 lending at a local level to support the resurgence of our restaurant and small business  
8 corridors; now, therefore, be it

9           RESOLVED, The Board of Supervisors urges our California State Legislature and  
10 Governor Newsom to support Assembly Bill No. 310, the California Public Banking Act, to  
11 enable our state to begin the economic recovery needed from COVID-19; and, be it

12           FURTHER RESOLVED, That copies of this Resolution be sent to the following parties:  
13 Governor Gavin Newsom; Senator Scott Wiener; Assembly Member David Chiu; Assembly  
14 Member Phil Ting; Mayor London Breed; Treasurer and Tax Collector Jose Cisneros; and the  
15 San Francisco Office of the Controller.

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AMENDED IN SENATE JUNE 26, 2020

AMENDED IN ASSEMBLY MAY 16, 2019

AMENDED IN ASSEMBLY MARCH 20, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 310**

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**Introduced by Assembly Member Santiago**

January 29, 2019

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~~An act to amend Section 219 of, and to add Section 219.1 to, the Code of Civil Procedure, relating to courts. An act to amend Sections 16430, 16500, 16500.5, 16521, 53601, 53630.5, 53635, 53638, 53651, 63010, 63021, 63025.1, 63035, 63050, 63088.3, and 63089.98 of, to add Sections 16480.46, 63021.1, 63021.2, 63021.3, 63025.10, 63037 to, to add Article 8.5 (commencing with Section 63089.85) to Chapter 6 of Division 1 of Title 6.7 of, to add Chapter 7 (commencing with 63090) to Division 1 of Title 6.7 of, and to repeal Section 63021.5 of, the Government Code, relating to the California Infrastructure and Economic Development Bank.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 310, as amended, Santiago. ~~Trial Jury Selection and Management Act. California Infrastructure and Economic Development Bank.~~

(1) *The Bergeson-Peace Infrastructure and Economic Development Bank Act establishes the California Infrastructure and Economic Development Bank (I-Bank) in the Governor's Office of Business and Economic Development under the direction of an executive director appointed by the Governor, subject to confirmation by the Senate, and governed by a board of directors composed of specified persons. Existing law, among other things, authorizes the I-Bank to make loans,*

*issue bonds, and provide financial assistance for various types of projects that qualify as economic development or public development facilities. The act prohibits the bank from being chartered as a depository institution. The act establishes the California Infrastructure and Economic Development Bank Fund (I-Bank fund), a continuously appropriated fund, for support of the I-Bank and prohibits 15 percent of the financing annually approved by the executive director that utilizes state funds from the infrastructure bank fund from being expended upon educational facilities, environmental mitigation measures, and parks and recreational facilities.*

*This bill would, among other things, establish the Infrastructure and Economic Development Bank Commission and place the I-Bank under the supervision of the commission. The bill would require that the commission be comprised of the Governor, the Treasurer, the Controller, or their designees. The bill would require the commission to appoint members of the bank board, as specified. The bill would eliminate the I-Bank Fund spending limit with respect to educational facilities, environmental mitigation measures, and parks and recreational facilities.*

*The bill would require the executive director, by January 1, 2021, to prepare, or cause to be prepared, a proposed projected 5-year budget detailing the costs expected to be incurred during that period due to the transfer of the I-Bank, as described above, and the operation of the I-Bank as a depository institution, as described below. The bill would require the executive director to submit the proposed projected budget to the board for approval and the final projected budget to the Legislature, as provided, and to take specified actions in order to facilitate the transfer of the I-Bank and the operation of the I-Bank as a depository institution. The bill, until January 1, 2022, would require the executive director to employ as necessary professional staff or consultants with expertise in the regulatory and other policy practices of the Federal Reserve System to assist in those activities.*

*The bill would authorize the I-Bank to engage in certain financial transactions related to local agencies and tribal governments, including by authorizing the I-Bank to purchase bond anticipation notes of local agencies and tribal governments.*

*Existing law, the Small Business Financial Assistance Act of 2013, requires the I-Bank to administer the California Small Business Finance Center that administers programs to assist businesses seeking new capital resources.*

*This bill would, among other things, require the I-Bank to continue or expand the Small Business Finance Center as specified, including by guaranteeing loans to small businesses with a focus on specified borrowers.*

*(2) Existing law requires the Treasurer, if possible, to deposit all money in the State Treasury or under the control of the Treasurer into an eligible bank. Existing law requires a state officer or employee, other than the Treasurer, to deposit all money in the custody of the state or under the control of that officer or employee in a state or national bank, as defined. Existing law requires a local agency, as defined, to deposit all money belonging to, or in the custody of that local agency, into specified state or national banks, as defined. Existing law regulates the investment of public funds by local agencies.*

*Existing law requires the Treasurer to invest, or deposit in banks and savings and loan associations, specified state moneys designated as surplus and determined to be available for that purpose by the Pooled Money Investment Board. Existing law prescribes eligible securities for the investment of surplus moneys under these provisions, including bonds, notes, and warrants of this state and bonds or warrants of any county, city, or specified types of districts of this state.*

*This bill would require the Department of Business Oversight to charter the I-Bank as a depository institution and would authorize the Treasurer, a state officer or employee having control over money belonging to or in the custody of the state, a local agency, as defined, or, upon approval by the board of directors, a quasi-public nonprofit entity to establish a deposit account with the I-Bank. The bill would require the I-Bank to, among other things, become a member of the Federal Reserve System and the Federal Home Loan Bank System and would prohibit the bank from engaging in prohibited high-risk activities, as defined.*

*The bill would expand the scope of securities eligible for investment under these provisions to include equity, loans, debt securities, bond anticipation notes, or other obligations issued by the I-Bank. The bill would require the Treasurer to target an investment of 10% of the average daily balance of the Pooled Money Investment Account into those obligations. The bill would require, within one year of the date on which the I-Bank is chartered as a depository institution, the Treasurer to deposit at least 20 percent of the deposits in the State Treasury into the Treasurer's account at the I-Bank and would require, within 5 years of the date on which the I-Bank is chartered as a*



depository institution, the Treasurer to deposit 100 percent of the deposits in the State Treasury into the Treasurer’s account at the I-Bank.

(3) Existing law requires the I-Bank, by November 1 of each year, to submit to the Governor and the Legislature a report for the preceding fiscal year containing specified information relating to the I-Bank fund and programs, including information on the impact of the activities funded by moneys in the fund, including the number of jobs created and retained. Existing law also requires the manager of the California Small Business Finance Center, by January 1 of each year, to prepare and submit to the Governor and the Legislature a report for the preceding fiscal year relating to the activities of the California Small Business Expansion Fund and moneys within that fund held in trust by a financial institution or financial company that includes specified information.

This bill would additionally require the I-Bank and the program manager to submit these reports to the Infrastructure and Economic Development Bank Commission and the I-Bank’s board of directors. The bill would also expand the report required to be submitted by the I-Bank to include the number of jobs projected to be created and retained as an impact of the activities funded from the I-Bank fund and programs and information about deposit accounts established as described above.

~~Existing law generally requires the jury commissioner to randomly select jurors to participate in voir dire. Existing law prohibits the selection of designated peace officers for voir dire in either criminal or both criminal and civil matters, as specified.~~

~~This bill, until January 1, 2024, would additionally prohibit the selection of designated probation officers for voir dire in criminal matters. This bill would also require the Judicial Council to submit a report to the Legislature addressing the impact of exemptions from jury service, 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 municipalities, counties, and regional public
- 4 entities, including pension funds and joint powers authorities
- 5 (JPAs), routinely have funds from taxes, pension contributions,

1 tolls, and other revenue sources deposited in commercial private  
2 banks. These banks have exposure to risks inherent in the  
3 commercial banking system, including financial products that are  
4 not subject to regulatory oversight. Thus, financial crises could  
5 adversely affect the security of public funds in commercial banks.  
6 Recent banking regulations, put into effect by the Third Basel  
7 Accord, known as the Basel III agreement, eliminate the security  
8 of deposits and expose the depositors' funds to risk by making  
9 them subject to forfeiture to pay the debt of a private bank, a  
10 so-called "bail-in."

11 (b) California public entities receive a low interest rate, between  
12 0.5 and 0.8 percent, on their deposits and also pay relatively high  
13 management and transaction fees that are between 5 and 10 basis  
14 points (bps). Public entities have sought to mitigate these factors  
15 by placing some of their funds in the Local Agency Investment  
16 Fund (LAIF) under the State Treasurer's Office (STO). The STO  
17 has a Centralized Treasury and Securities Management Division  
18 (CTSMD) for handling the annual flow of about \$2 trillion. The  
19 LAIF funds, which totaled about \$28.22 billion in 2020, are placed  
20 in low-risk investments along with state funds, totaling about \$99  
21 billion, under the state's Pooled Money Investment Account  
22 (PMIA). The yield has been about 1.7% in 2020.

23 (c) California public entities routinely issue municipal bonds  
24 in order to finance infrastructure and related projects. The  
25 California Debt and Investment Advisory Commission (CDIAC)  
26 reported that there were \$78.4 billion of public bonds issued in  
27 2016, with an average interest rate of 3 to 4 percent, depending  
28 on the term of the bond and its rating. About one-third of the  
29 approximately 3,700 bonds issued in 2016 were from JPAs.  
30 California accounted for about 18 percent of all municipal bonds  
31 issued in the United States in 2016. This was higher than  
32 California's 13 percent contribution to the United States economy  
33 in part due to underreporting in other states.

34 (d) According to CDIAC, about one-third of California  
35 municipal bonds are issued for education, one-half of which are  
36 for K-12 and one-half for colleges and universities. Another  
37 one-third of the bonds are for public works and about 10 percent  
38 are for hospitals and healthcare facilities. The remaining 20  
39 percent are for a variety of purposes, including housing. The state  
40 issues about 25 percent of the reported bonds and a miscellany

1 accounts for another 25 percent. Cities and counties issue about  
2 15 to 20 percent of the bonds, while K-12 school districts and JPAs  
3 issue about 15 percent.

4 (e) California municipalities invest some of their funds and  
5 issue some bonds as affiliates. The League of California Cities  
6 (LCC), which was established almost 120 years ago, has developed  
7 a funding pool called CalTRUST with an approved  
8 nongovernmental investment manager. This allows cities to invest  
9 in fixed-income securities yet permits short-term liquidity. The  
10 current holdings are approximately \$2.8 billion. The LCC acts  
11 together with the California Statewide Communities Development  
12 Authority (CSCDA), which was created in 1988, to issue bonds to  
13 finance local infrastructure, including housing, economic  
14 development, healthcare and education, totaling about \$2 billion  
15 in 2016. These issuances are reported to the CDIAC.

16 (f) The California Infrastructure and Economic Development  
17 Bank (I-Bank) is a revolving fund established in 1994 with state  
18 funds. It operates under the Governor and the Governor's Office  
19 of Business and Economic Development (GO-Biz). The I-Bank has  
20 grown over the past two decades, and is currently providing  
21 infrastructure financings using funds from tax-exempt revenue  
22 bonds and the profits from its financings. Financings by the I-Bank  
23 are done at an average of 3 percent; this equals its own cost of  
24 borrowing and is below the interest paid by public entities for their  
25 own financings in the public market. The origination and issuance  
26 fees of the I-Bank are lower than those of commercial banks, at 2  
27 to 3 bps versus 6 to 10 bps.

28 (g) The I-Bank also issues conduit bonds on behalf of state  
29 agencies (approximately \$500 million in 2016), which permits  
30 those bonds to be tax-free. The I-Bank receives fees for handling  
31 this conduit service.

32 (h) The I-Bank includes the California Small Business Finance  
33 Center (SBFC) that provides loan guarantees for small businesses  
34 with difficulties obtaining loans from private banks. This center  
35 operates under the Small Business Financial Assistance Act of  
36 2013 (Chapter 6 (commencing with Section 63088) of Division 1  
37 of Title 6.7 of the Government Code), which defines details of the  
38 loan guarantee program. The SBFC contracts with a dozen or so  
39 nonprofit agencies that provide the loans. In 2020, SBFC had \$94  
40 million on deposit with which it guaranteed 653 loans totaling

1 \$755 million, a leverage ratio of 5.4 to 1. There has been a very  
2 low rate of defaults, about 0.02 percent. SBFC also makes a small  
3 number of loans to farms that are guaranteed by funding from the  
4 United States Department of Agriculture. The SBFC makes an  
5 annual report to the Governor and Legislature that is separate  
6 from the report of the I-Bank. The SBFC report detail the  
7 distribution of its loan guarantees and the jobs produced by them.

8 (i) As of 2016, the I-Bank had assets of over \$725 million,  
9 including about \$410 million in cash and equivalents and about  
10 \$310 million of loans receivable. Liabilities, mostly revenue bonds  
11 payable, were about \$446 million.

12 (j) In 2016 the I-Bank provided financing for infrastructure and  
13 environmental programs under its Infrastructure State Revolving  
14 Fund (ISRF) and California Lending for Energy and Environmental  
15 Needs (CLEEN) programs of about \$94 million, or 0.12 percent  
16 of the total California municipal infrastructure loans. These I-Bank  
17 financings typically range from \$5 to \$25 million. Each \$1 million  
18 of these financings is estimated to produce 15 jobs. The three major  
19 rating agencies give 90 percent of these bonds ratings of “AAA”  
20 or better, and view the obligors as reliable.

21 (k) The I-Bank has provided \$38 billion of financing for  
22 infrastructure and economic development over the past two  
23 decades, of which \$36 billion was conduit bonds on behalf of public  
24 agencies and nonprofits. The I-Bank estimates that its programs  
25 created or retained 350,000 jobs. About 85 percent of these jobs  
26 were through its SBFC in the form of loans and loan guarantees,  
27 and 15 percent through its ISRF and CLEEN programs and the  
28 conduit bonds.

29 SEC. 2. It is the intent of the Legislature to do all of the  
30 following:

31 (a) Aid economic recovery for individuals and local governments  
32 who are facing extreme economic pressure due to the COVID-19  
33 pandemic and subsequent economic recession by increasing  
34 lending to local agencies and increasing credit to rural,  
35 minority-owned, women-owned, indigenous-owned, and  
36 immigrant-owned businesses who have been historically  
37 marginalized due to restrictive covenants, redlining, and other  
38 restrictive practices by traditional financial institutions via credit  
39 enhancements and participation lending with local financial  
40 institutions.

1 (b) Provide loan participation and credit support for local  
 2 financial institutions addressing credit needs in unbanked and  
 3 under-banked California communities.

4 (c) Provide a pathway for a California state bank to invest state  
 5 and municipal dollars in public goods, services, and 21st century  
 6 infrastructure with an effective yield that is competitive with or  
 7 exceeds that of the current Pooled Money Investment Account  
 8 effective rate.

9 (d) Encourage the I-Bank to offer below market rate credit on  
 10 certain loans and financial products that meet the state’s social,  
 11 economic, and environmental objectives.

12 (e) Require the I-Bank to conduct its small business lending  
 13 activities with the mission of filling gaps in the community  
 14 economic development ecosystem, including by partnering with  
 15 and expanding the reach of community development financial  
 16 institutions.

17 SEC. 3. Section 16430 of the Government Code is amended to  
 18 read:

19 16430. Eligible securities for the investment of surplus moneys  
 20 shall be any of the following:

21 (a) Bonds or interest-bearing notes or obligations of the United  
 22 States, or those for which the faith and credit of the United States  
 23 are pledged for the payment of principal and interest.

24 (b) Bonds or interest-bearing notes on obligations that are  
 25 guaranteed as to principal and interest by a federal agency of the  
 26 United States.

27 (c) Bonds, notes, and warrants of this state, or those for which  
 28 the faith and credit of this state are pledged for the payment of  
 29 principal and interest.

30 (d) Bonds or warrants, including, but not limited to, revenue  
 31 warrants, of any county, city, metropolitan water district, California  
 32 water district, California water storage district, irrigation district  
 33 in the state, municipal utility district, or school district of this state.

34 (e) Any of the following:

35 (1) Bonds, consolidated bonds, collateral trust debentures,  
 36 consolidated debentures, or other obligations issued by federal  
 37 land banks or federal intermediate credit banks established under  
 38 the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et  
 39 seq.).

1 (2) Debentures and consolidated debentures issued by the  
2 Central Bank for Cooperatives and banks for cooperatives  
3 established under the Farm Credit Act of 1933, as amended (12  
4 U.S.C. Sec. 2001 et seq.).

5 (3) Bonds or debentures of the Federal Home Loan Bank Board  
6 established under the Federal Home Loan Bank Act (12 U.S.C.  
7 Sec. 1421 et seq.).

8 (4) Stocks, bonds, debentures, and other obligations of the  
9 Federal National Mortgage Association established under the  
10 National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).

11 (5) Bonds of any federal home loan bank established under that  
12 act.

13 (6) Obligations of the Federal Home Loan Mortgage  
14 Corporation.

15 (7) Bonds, notes, and other obligations issued by the Tennessee  
16 Valley Authority under the Tennessee Valley Authority Act, as  
17 amended (16 U.S.C. Sec. 831 et seq.).

18 (8) Other obligations guaranteed by the Commodity Credit  
19 Corporation for the export of California agricultural products under  
20 the Commodity Credit Corporation Charter Act, as amended (15  
21 U.S.C. Sec. 714 et seq.).

22 (f) (1) Commercial paper of “prime” quality as defined by a  
23 nationally recognized organization that rates these securities, if  
24 the commercial paper is issued by a federally or state-chartered  
25 bank or a state-licensed branch of a foreign bank, corporation,  
26 trust, or limited liability company that is approved by the Pooled  
27 Money Investment Board as meeting the conditions specified in  
28 either subparagraph (A) or subparagraph (B):

29 (A) Both of the following conditions:

30 (i) Organized and operating within the United States.

31 (ii) Having total assets in excess of five hundred million dollars  
32 (\$500,000,000).

33 (B) Both of the following conditions:

34 (i) Organized within the United States as a federally or  
35 state-chartered bank or a state-licensed branch of a foreign bank,  
36 special purpose corporation, trust, or limited liability company.

37 (ii) Having programwide credit enhancements including, but  
38 not limited to, overcollateralization, letters of credit, or surety  
39 bond.

- 1 (2) A purchase of eligible commercial paper may not do any of  
2 the following:
- 3 (A) Exceed 270 days maturity.
- 4 (B) Represent more than 10 percent of the outstanding paper of  
5 an issuing federally or state-chartered bank or a state-licensed  
6 branch of a foreign bank, corporation, trust, or limited liability  
7 company.
- 8 (C) Exceed 30 percent of the resources of an investment  
9 program.
- 10 (3) At the request of the Pooled Money Investment Board, an  
11 investment made pursuant to this subdivision shall be secured by  
12 the issuer by depositing with the Treasurer securities authorized  
13 by Section 53651 of a market value at least 10 percent in excess  
14 of the amount of the state's investment.
- 15 (g) Bills of exchange or time drafts drawn on and accepted by  
16 a commercial bank, otherwise known as bankers acceptances, that  
17 are eligible for purchase by the Federal Reserve System.
- 18 (h) Negotiable certificates of deposits issued by a federally or  
19 state-chartered bank or savings and loan association, a  
20 state-licensed branch of a foreign bank, or a federally or  
21 state-chartered credit union. For the purposes of this section,  
22 negotiable certificates of deposits are not subject to Chapter 4  
23 (commencing with Section 16500) and Chapter 4.5 (commencing  
24 with Section 16600).
- 25 (i) The portion of bank loans and obligations guaranteed by the  
26 United States Small Business Administration or the United States  
27 Farmers Home Administration.
- 28 (j) Bank loans and obligations guaranteed by the Export-Import  
29 Bank of the United States.
- 30 (k) Student loan notes insured under the Guaranteed Student  
31 Loan Program established pursuant to the Higher Education Act  
32 of 1965, as amended (20 U.S.C. Sec. 1001 et seq.) and eligible for  
33 resale to the Student Loan Marketing Association established  
34 pursuant to Section 133 of the Education Amendments of 1972,  
35 as amended (20 U.S.C. Sec. 1087-2).
- 36 (l) Obligations issued, assumed, or guaranteed by the  
37 International Bank for Reconstruction and Development, the  
38 Inter-American Development Bank, the Asian Development Bank,  
39 the African Development Bank, the International Finance

1 Corporation, or the Government Development Bank of Puerto  
2 Rico.

3 (m) Bonds, debentures, and notes issued by corporations  
4 organized and operating within the United States. Securities eligible  
5 for investment under this subdivision shall be within the top three  
6 ratings of a nationally recognized rating service.

7 (n) Negotiable Order of Withdrawal Accounts (NOW Accounts),  
8 invested in accordance with Chapter 4 (commencing with Section  
9 16500).

10 (o) *Equity, loans, debt securities, bond anticipation notes, or*  
11 *other obligations of the California Infrastructure and Economic*  
12 *Development Bank.*

13 *SEC. 4. Section 16480.46 is added to the Government Code,*  
14 *to read:*

15 *16480.46. The Treasurer shall target an investment of 10*  
16 *percent of the average daily balance of the Pooled Money*  
17 *Investment Account into equity, loans, debt securities, bond*  
18 *anticipation notes, or other obligations of the California*  
19 *Infrastructure and Economic Development Bank.*

20 *SEC. 5. Section 16500 of the Government Code is amended to*  
21 *read:*

22 16500. (a) As used in this chapter, “eligible bank” means a  
23 state or national bank located in this state, selected by the Treasurer  
24 for the safekeeping of money belonging to or in the custody of the  
25 state, that has received an overall rating of not less than  
26 “satisfactory” in its most recent evaluation by the appropriate  
27 federal financial supervisory agency of the bank’s record of  
28 meeting the credit needs of the state’s communities, including low-  
29 and moderate-income neighborhoods, pursuant to Section 2906  
30 of Title 12 of the United States Code. An eligible bank is eligible  
31 to receive deposits only to the extent that it furnishes the security  
32 required by this chapter.

33 (b) *For purposes of this chapter, an “eligible bank” shall also*  
34 *mean the California Infrastructure and Economic Development*  
35 *Bank.*

36 *SEC. 6. Section 16500.5 of the Government Code is amended*  
37 *to read:*

38 16500.5. (a) The definitions in Section 1670 of, and Chapter  
39 1 (commencing with Section 99) of Division 1 of, the Financial  
40 Code apply to this section.



1 (b) In this chapter, for purposes of being an eligible bank for  
 2 the safekeeping of moneys belonging to, or in the custody of, the  
 3 state, the phrases “state or national bank located in this state,”  
 4 “state or national bank,” “state or national bank in this state,” and  
 5 “state or national banks in the state” shall include, without  
 6 limitation, any of the following:

7 (1) Any California branch office of a foreign (other state) state  
 8 bank that the bank is authorized to maintain under the law of its  
 9 domicile and federal law.

10 (2) Any California branch office of a foreign (other state)  
 11 national bank that the bank is authorized to maintain under federal  
 12 law.

13 (3) Any California branch office of a foreign (other nation) bank  
 14 that the bank is licensed to maintain under Article 3 (commencing  
 15 with Section 1800) of Chapter 20 of Division ~~1~~ *I.1* of the Financial  
 16 Code.

17 (4) Any California federal branch of a foreign (other nation)  
 18 bank that the bank is authorized to maintain under federal law.

19 (5) *The California Infrastructure and Economic Development*  
 20 *Bank.*

21 *SEC. 7. Section 16521 of the Government Code is amended to*  
 22 *read:*

23 16521. (a) To be eligible to receive and retain demand or time  
 24 deposits, a bank shall deposit with the Treasurer as security for  
 25 such deposits, securities specified in Section 16522, and approved  
 26 by the Treasurer, in an amount in value at least 10 percent in excess  
 27 of the amount deposited with the bank. Uncollected funds shall be  
 28 excluded from the amount deposited in a demand account with a  
 29 bank when determining the security requirements for such deposits.

30 (b) *This section shall not apply to the California Infrastructure*  
 31 *and Economic Development Bank.*

32 *SEC. 8. Section 53601 of the Government Code is amended to*  
 33 *read:*

34 53601. This section shall apply to a local agency that is a city,  
 35 a district, or other local agency that does not pool money in  
 36 deposits or investments with other local agencies, other than local  
 37 agencies that have the same governing body. However, Section  
 38 53635 shall apply to all local agencies that pool money in deposits  
 39 or investments with other local agencies that have separate  
 40 governing bodies. The legislative body of a local agency having

1 moneys in a sinking fund or moneys in its treasury not required  
2 for the immediate needs of the local agency may invest any portion  
3 of the moneys that it deems wise or expedient in those investments  
4 set forth below. A local agency purchasing or obtaining any  
5 securities prescribed in this section, in a negotiable, bearer,  
6 registered, or nonregistered format, shall require delivery of the  
7 securities to the local agency, including those purchased for the  
8 agency by financial advisers, consultants, or managers using the  
9 agency's funds, by book entry, physical delivery, or by third-party  
10 custodial agreement. The transfer of securities to the counterparty  
11 bank's customer book entry account may be used for book entry  
12 delivery.

13 For purposes of this section, "counterparty" means the other  
14 party to the transaction. A counterparty bank's trust department  
15 or separate safekeeping department may be used for the physical  
16 delivery of the security if the security is held in the name of the  
17 local agency. Where this section specifies a percentage limitation  
18 for a particular category of investment, that percentage is applicable  
19 only at the date of purchase. Where this section does not specify  
20 a limitation on the term or remaining maturity at the time of the  
21 investment, no investment shall be made in any security, other  
22 than a security underlying a repurchase or reverse repurchase  
23 agreement or securities lending agreement authorized by this  
24 section, that at the time of the investment has a term remaining to  
25 maturity in excess of five years, unless the legislative body has  
26 granted express authority to make that investment either  
27 specifically or as a part of an investment program approved by the  
28 legislative body no less than three months prior to the investment:

29 (a) Bonds issued by the local agency, including bonds payable  
30 solely out of the revenues from a revenue-producing property  
31 owned, controlled, or operated by the local agency or by a  
32 department, board, agency, or authority of the local agency.

33 (b) United States Treasury notes, bonds, bills, or certificates of  
34 indebtedness, or those for which the faith and credit of the United  
35 States are pledged for the payment of principal and interest.

36 (c) Registered state warrants or treasury notes or bonds of this  
37 state, including bonds payable solely out of the revenues from a  
38 revenue-producing property owned, controlled, or operated by the  
39 state or by a department, board, agency, or authority of the state.

1 (d) Registered treasury notes or bonds of any of the other 49  
2 states in addition to California, including bonds payable solely out  
3 of the revenues from a revenue-producing property owned,  
4 controlled, or operated by a state or by a department, board, agency,  
5 or authority of any of the other 49 states, in addition to California.

6 (e) Bonds, notes, warrants, or other evidences of indebtedness  
7 of a local agency within this state, including bonds payable solely  
8 out of the revenues from a revenue-producing property owned,  
9 controlled, or operated by the local agency, or by a department,  
10 board, agency, or authority of the local agency.

11 (f) Federal agency or United States government-sponsored  
12 enterprise obligations, participations, or other instruments,  
13 including those issued by or fully guaranteed as to principal and  
14 interest by federal agencies or United States government-sponsored  
15 enterprises.

16 (g) Bankers' acceptances otherwise known as bills of exchange  
17 or time drafts that are drawn on and accepted by a commercial  
18 bank. Purchases of bankers' acceptances shall not exceed 180  
19 days' maturity or 40 percent of the agency's moneys that may be  
20 invested pursuant to this section. However, no more than 30 percent  
21 of the agency's moneys may be invested in the bankers'  
22 acceptances of any one commercial bank pursuant to this section.

23 This subdivision does not preclude a municipal utility district  
24 from investing moneys in its treasury in a manner authorized by  
25 the Municipal Utility District Act (Division 6 (commencing with  
26 Section 11501) of the Public Utilities Code).

27 (h) Commercial paper of "prime" quality of the highest ranking  
28 or of the highest letter and number rating as provided for by a  
29 nationally recognized statistical rating organization (NRSRO).  
30 The entity that issues the commercial paper shall meet all of the  
31 following conditions in either paragraph (1) or (2):

32 (1) The entity meets the following criteria:

33 (A) Is organized and operating in the United States as a general  
34 corporation.

35 (B) Has total assets in excess of five hundred million dollars  
36 (\$500,000,000).

37 (C) Has debt other than commercial paper, if any, that is rated  
38 in a rating category of "A" or its equivalent or higher by an  
39 NRSRO.

40 (2) The entity meets the following criteria:

1 (A) Is organized within the United States as a special purpose  
2 corporation, trust, or limited liability company.

3 (B) Has programwide credit enhancements including, but not  
4 limited to, overcollateralization, letters of credit, or a surety bond.

5 (C) Has commercial paper that is rated “A-1” or higher, or the  
6 equivalent, by an NRSRO.

7 Eligible commercial paper shall have a maximum maturity of  
8 270 days or less. Local agencies, other than counties or a city and  
9 county, may invest no more than 25 percent of their moneys in  
10 eligible commercial paper. Local agencies, other than counties or  
11 a city and county, may purchase no more than 10 percent of the  
12 outstanding commercial paper of any single issuer. Counties or a  
13 city and county may invest in commercial paper pursuant to the  
14 concentration limits in subdivision (a) of Section 53635.

15 (i) Negotiable certificates of deposit issued by a nationally or  
16 state-chartered bank, a savings association or a federal association  
17 (as defined by Section 5102 of the Financial Code), a state or  
18 federal credit union, or by a federally licensed or state-licensed  
19 branch of a foreign bank. Purchases of negotiable certificates of  
20 deposit shall not exceed 30 percent of the agency’s moneys that  
21 may be invested pursuant to this section. For purposes of this  
22 section, negotiable certificates of deposit do not come within  
23 Article 2 (commencing with Section 53630), except that the amount  
24 so invested shall be subject to the limitations of Section 53638.  
25 The legislative body of a local agency and the treasurer or other  
26 official of the local agency having legal custody of the moneys  
27 are prohibited from investing local agency funds, or funds in the  
28 custody of the local agency, in negotiable certificates of deposit  
29 issued by a state or federal credit union if a member of the  
30 legislative body of the local agency, or a person with investment  
31 decisionmaking authority in the administrative office manager’s  
32 office, budget office, auditor-controller’s office, or treasurer’s  
33 office of the local agency also serves on the board of directors, or  
34 any committee appointed by the board of directors, or the credit  
35 committee or the supervisory committee of the state or federal  
36 credit union issuing the negotiable certificates of deposit.

37 (j) (1) Investments in repurchase agreements or reverse  
38 repurchase agreements or securities lending agreements of  
39 securities authorized by this section, as long as the agreements are

1 subject to this subdivision, including the delivery requirements  
2 specified in this section.

3 (2) Investments in repurchase agreements may be made, on an  
4 investment authorized in this section, when the term of the  
5 agreement does not exceed one year. The market value of securities  
6 that underlie a repurchase agreement shall be valued at 102 percent  
7 or greater of the funds borrowed against those securities and the  
8 value shall be adjusted no less than quarterly. Since the market  
9 value of the underlying securities is subject to daily market  
10 fluctuations, the investments in repurchase agreements shall be in  
11 compliance if the value of the underlying securities is brought back  
12 up to 102 percent no later than the next business day.

13 (3) Reverse repurchase agreements or securities lending  
14 agreements may be utilized only when all of the following  
15 conditions are met:

16 (A) The security to be sold using a reverse repurchase agreement  
17 or securities lending agreement has been owned and fully paid for  
18 by the local agency for a minimum of 30 days prior to sale.

19 (B) The total of all reverse repurchase agreements and securities  
20 lending agreements on investments owned by the local agency  
21 does not exceed 20 percent of the base value of the portfolio.

22 (C) The agreement does not exceed a term of 92 days, unless  
23 the agreement includes a written codicil guaranteeing a minimum  
24 earning or spread for the entire period between the sale of a security  
25 using a reverse repurchase agreement or securities lending  
26 agreement and the final maturity date of the same security.

27 (D) Funds obtained or funds within the pool of an equivalent  
28 amount to that obtained from selling a security to a counterparty  
29 using a reverse repurchase agreement or securities lending  
30 agreement shall not be used to purchase another security with a  
31 maturity longer than 92 days from the initial settlement date of the  
32 reverse repurchase agreement or securities lending agreement,  
33 unless the reverse repurchase agreement or securities lending  
34 agreement includes a written codicil guaranteeing a minimum  
35 earning or spread for the entire period between the sale of a security  
36 using a reverse repurchase agreement or securities lending  
37 agreement and the final maturity date of the same security.

38 (4) (A) Investments in reverse repurchase agreements, securities  
39 lending agreements, or similar investments in which the local  
40 agency sells securities prior to purchase with a simultaneous

1 agreement to repurchase the security may be made only upon prior  
2 approval of the governing body of the local agency and shall be  
3 made only with primary dealers of the Federal Reserve Bank of  
4 New York or with a nationally or state-chartered bank that has or  
5 has had a significant banking relationship with a local agency.

6 (B) For purposes of this chapter, “significant banking  
7 relationship” means any of the following activities of a bank:

8 (i) Involvement in the creation, sale, purchase, or retirement of  
9 a local agency’s bonds, warrants, notes, or other evidence of  
10 indebtedness.

11 (ii) Financing of a local agency’s activities.

12 (iii) Acceptance of a local agency’s securities or funds as  
13 deposits.

14 (5) (A) “Repurchase agreement” means a purchase of securities  
15 by the local agency pursuant to an agreement by which the  
16 counterparty seller will repurchase the securities on or before a  
17 specified date and for a specified amount and the counterparty will  
18 deliver the underlying securities to the local agency by book entry,  
19 physical delivery, or by third-party custodial agreement. The  
20 transfer of underlying securities to the counterparty bank’s  
21 customer book-entry account may be used for book-entry delivery.

22 (B) “Securities,” for purposes of repurchase under this  
23 subdivision, means securities of the same issuer, description, issue  
24 date, and maturity.

25 (C) “Reverse repurchase agreement” means a sale of securities  
26 by the local agency pursuant to an agreement by which the local  
27 agency will repurchase the securities on or before a specified date  
28 and includes other comparable agreements.

29 (D) “Securities lending agreement” means an agreement under  
30 which a local agency agrees to transfer securities to a borrower  
31 who, in turn, agrees to provide collateral to the local agency.  
32 During the term of the agreement, both the securities and the  
33 collateral are held by a third party. At the conclusion of the  
34 agreement, the securities are transferred back to the local agency  
35 in return for the collateral.

36 (E) For purposes of this section, the base value of the local  
37 agency’s pool portfolio shall be that dollar amount obtained by  
38 totaling all cash balances placed in the pool by all pool participants,  
39 excluding any amounts obtained through selling securities by way

1 of reverse repurchase agreements, securities lending agreements,  
2 or other similar borrowing methods.

3 (F) For purposes of this section, the spread is the difference  
4 between the cost of funds obtained using the reverse repurchase  
5 agreement and the earnings obtained on the reinvestment of the  
6 funds.

7 (k) Medium-term notes, defined as all corporate and depository  
8 institution debt securities with a maximum remaining maturity of  
9 five years or less, issued by corporations organized and operating  
10 within the United States or by depository institutions licensed by  
11 the United States or any state and operating within the United  
12 States. Notes eligible for investment under this subdivision shall  
13 be rated in a rating category of “A” or its equivalent or better by  
14 an NRSRO. Purchases of medium-term notes shall not include  
15 other instruments authorized by this section and shall not exceed  
16 30 percent of the agency’s moneys that may be invested pursuant  
17 to this section.

18 (l) (1) Shares of beneficial interest issued by diversified  
19 management companies that invest in the securities and obligations  
20 as authorized by subdivisions (a) to (k), inclusive, and subdivisions  
21 (m) to (q), inclusive, and that comply with the investment  
22 restrictions of this article and Article 2 (commencing with Section  
23 53630). However, notwithstanding these restrictions, a counterparty  
24 to a reverse repurchase agreement or securities lending agreement  
25 is not required to be a primary dealer of the Federal Reserve Bank  
26 of New York if the company’s board of directors finds that the  
27 counterparty presents a minimal risk of default, and the value of  
28 the securities underlying a repurchase agreement or securities  
29 lending agreement may be 100 percent of the sales price if the  
30 securities are marked to market daily.

31 (2) Shares of beneficial interest issued by diversified  
32 management companies that are money market funds registered  
33 with the Securities and Exchange Commission under the  
34 Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

35 (3) If investment is in shares issued pursuant to paragraph (1),  
36 the company shall have met either of the following criteria:

37 (A) Attained the highest ranking or the highest letter and  
38 numerical rating provided by not less than two NRSROs.

39 (B) Retained an investment adviser registered or exempt from  
40 registration with the Securities and Exchange Commission with

1 not less than five years' experience investing in the securities and  
2 obligations authorized by subdivisions (a) to (k), inclusive, and  
3 subdivisions (m) to (q), inclusive, and with assets under  
4 management in excess of five hundred million dollars  
5 (\$500,000,000).

6 (4) If investment is in shares issued pursuant to paragraph (2),  
7 the company shall have met either of the following criteria:

8 (A) Attained the highest ranking or the highest letter and  
9 numerical rating provided by not less than two NRSROs.

10 (B) Retained an investment adviser registered or exempt from  
11 registration with the Securities and Exchange Commission with  
12 not less than five years' experience managing money market  
13 mutual funds with assets under management in excess of five  
14 hundred million dollars (\$500,000,000).

15 (5) The purchase price of shares of beneficial interest purchased  
16 pursuant to this subdivision shall not include commission that the  
17 companies may charge and shall not exceed 20 percent of the  
18 agency's moneys that may be invested pursuant to this section.  
19 However, no more than 10 percent of the agency's funds may be  
20 invested in shares of beneficial interest of any one mutual fund  
21 pursuant to paragraph (1).

22 (m) Moneys held by a trustee or fiscal agent and pledged to the  
23 payment or security of bonds or other indebtedness, or obligations  
24 under a lease, installment sale, or other agreement of a local  
25 agency, or certificates of participation in those bonds, indebtedness,  
26 or lease installment sale, or other agreements, may be invested in  
27 accordance with the statutory provisions governing the issuance  
28 of those bonds, indebtedness, or lease installment sale, or other  
29 agreement, or to the extent not inconsistent therewith or if there  
30 are no specific statutory provisions, in accordance with the  
31 ordinance, resolution, indenture, or agreement of the local agency  
32 providing for the issuance.

33 (n) Notes, bonds, or other obligations that are at all times secured  
34 by a valid first priority security interest in securities of the types  
35 listed by Section 53651 as eligible securities for the purpose of  
36 securing local agency deposits having a market value at least equal  
37 to that required by Section 53652 for the purpose of securing local  
38 agency deposits. The securities serving as collateral shall be placed  
39 by delivery or book entry into the custody of a trust company or  
40 the trust department of a bank that is not affiliated with the issuer



1 of the secured obligation, and the security interest shall be perfected  
2 in accordance with the requirements of the Uniform Commercial  
3 Code or federal regulations applicable to the types of securities in  
4 which the security interest is granted.

5 (o) A mortgage passthrough security, collateralized mortgage  
6 obligation, mortgage-backed or other pay-through bond, equipment  
7 lease-backed certificate, consumer receivable passthrough  
8 certificate, or consumer receivable-backed bond. Securities eligible  
9 for investment under this subdivision shall be rated in a rating  
10 category of “AA” or its equivalent or better by an NRSRO and  
11 have a maximum remaining maturity of five years or less. Purchase  
12 of securities authorized by this subdivision shall not exceed 20  
13 percent of the agency’s surplus moneys that may be invested  
14 pursuant to this section.

15 (p) Shares of beneficial interest issued by a joint powers  
16 authority organized pursuant to Section 6509.7 that invests in the  
17 securities and obligations authorized in subdivisions (a) to (r),  
18 inclusive. Each share shall represent an equal proportional interest  
19 in the underlying pool of securities owned by the joint powers  
20 authority. To be eligible under this section, the joint powers  
21 authority issuing the shares shall have retained an investment  
22 adviser that meets all of the following criteria:

23 (1) The adviser is registered or exempt from registration with  
24 the Securities and Exchange Commission.

25 (2) The adviser has not less than five years of experience  
26 investing in the securities and obligations authorized in  
27 subdivisions (a) to (q), inclusive.

28 (3) The adviser has assets under management in excess of five  
29 hundred million dollars (\$500,000,000).

30 (q) United States dollar denominated senior unsecured  
31 unsubordinated obligations issued or unconditionally guaranteed  
32 by the International Bank for Reconstruction and Development,  
33 International Finance Corporation, or Inter-American Development  
34 Bank, with a maximum remaining maturity of five years or less,  
35 and eligible for purchase and sale within the United States.  
36 Investments under this subdivision shall be rated in a rating  
37 category of “AA” or its equivalent or better by an NRSRO and  
38 shall not exceed 30 percent of the agency’s moneys that may be  
39 invested pursuant to this section.

1 (r) Commercial paper, debt securities, or other obligations of a  
2 public bank, as defined in Section 57600.

3 (s) *Equity, loans, debt securities, bond anticipation notes, or*  
4 *other obligations of the California Infrastructure and Economic*  
5 *Development Bank.*

6 *SEC. 9. Section 53630.5 of the Government Code is amended*  
7 *to read:*

8 53630.5. (a) The definitions in Section 1670 of, and Chapter  
9 1 (commencing with Section 99) of Division 1 of, the Financial  
10 Code apply to this section.

11 (b) In this article, for purposes of being a depository of moneys  
12 belonging to or being in the custody of a local agency, the phrases  
13 “state or national bank located in this state,” “state or national  
14 bank,” “state or national bank in this state,” and “state or national  
15 banks in the state” include, without limitation, any of the following:

16 (1) A California branch office of a foreign (other state) state  
17 bank that the bank is authorized to maintain under the law of its  
18 domicile and federal law.

19 (2) A California branch office of a foreign (other state) national  
20 bank that the bank is authorized to maintain under federal law.

21 (3) A California branch office of a foreign (other nation) bank  
22 that the bank is licensed to maintain under Article 3 (commencing  
23 with Section 1800) of Chapter 20 of Division 1.1 of the Financial  
24 Code.

25 (4) A California federal branch of a foreign (other nation) bank  
26 that the bank is authorized to maintain under federal law.

27 (5) *The California Infrastructure and Economic Development*  
28 *Bank.*

29 *SEC. 10. Section 53635 of the Government Code is amended*  
30 *to read:*

31 53635. (a) This section shall apply to a local agency that is a  
32 county, a city and county, or other local agency that pools money  
33 in deposits or investments with other local agencies, including  
34 local agencies that have the same governing body. However,  
35 Section 53601 shall apply to all local agencies that pool money in  
36 deposits or investments exclusively with local agencies that have  
37 the same governing body.

38 This section shall be interpreted in a manner that recognizes the  
39 distinct characteristics of investment pools and the distinct  
40 administrative burdens on managing and investing funds on a

1 pooled basis pursuant to Article 6 (commencing with Section  
2 27130) of Chapter 5 of Division 2 of Title 3.

3 A local agency that is a county, a city and county, or other local  
4 agency that pools money in deposits or investments with other  
5 agencies may invest in commercial paper pursuant to subdivision  
6 (h) of Section 53601, except that the local agency shall be subject  
7 to the following concentration limits:

8 (1) No more than 40 percent of the local agency’s money may  
9 be invested in eligible commercial paper.

10 (2) No more than 10 percent of the total assets of the investments  
11 held by a local agency may be invested in any one issuer’s  
12 commercial paper.

13 (b) Notwithstanding Section 53601, the City of Los Angeles  
14 shall be subject to the concentration limits of this section for  
15 counties and for cities and counties with regard to the investment  
16 of money in eligible commercial paper.

17 (c) A local agency subject to this section may invest in  
18 commercial paper, debt securities, or other obligations of a public  
19 bank, as defined in Section 57600.

20 (d) *A local agency subject to this section may invest in the*  
21 *equity, loans, debt securities, bond anticipation notes, or other*  
22 *obligations of the California Infrastructure and Economic*  
23 *Development Bank.*

24 *SEC. 11. Section 53638 of the Government Code is amended*  
25 *to read:*

26 53638. (a) The deposit shall not exceed the shareholder’s  
27 equity of any depository bank. For the purposes of this subdivision,  
28 shareholder’s equity shall be determined in accordance with Section  
29 463 of the Financial Code, but shall be deemed to include capital  
30 notes and debentures.

31 (b) The deposit shall not exceed the total of the net worth of  
32 any depository savings association or federal association, except  
33 that deposits not exceeding a total of five hundred thousand dollars  
34 (\$500,000) may be made to a savings association or federal  
35 association without regard to the net worth of that depository, if  
36 such deposits are insured or secured as required by law.

37 (c) The deposit to the share accounts of any regularly chartered  
38 credit union shall not exceed the total of the unimpaired capital  
39 and surplus of the credit union, as defined by rule of the  
40 Commissioner of Business Oversight, except that the deposit to

1 any credit union share account in an amount not exceeding five  
2 hundred thousand dollars (\$500,000) may be made if the share  
3 accounts of that credit union are insured or guaranteed pursuant  
4 to Section 14858 of the Financial Code or are secured as required  
5 by law.

6 (d) The deposit in investment certificates of a federally insured  
7 industrial loan company shall not exceed the total of the unimpaired  
8 capital and surplus of the insured industrial loan company.

9 (e) *This section shall not apply to a deposit held by the  
10 California Infrastructure and Economic Development Bank.*

11 *SEC. 12. Section 53651 of the Government Code is amended  
12 to read:*

13 53651. Eligible securities are any of the following:

14 (a) United States Treasury notes, bonds, bills or certificates of  
15 indebtedness, or obligations for which the faith and credit of the  
16 United States are pledged for the payment of principal and interest,  
17 including the guaranteed portions of small business administration  
18 loans, so long as the loans are obligations for which the faith and  
19 credit of the United States are pledged for the payment of principal  
20 and interest.

21 (b) Notes or bonds or any obligations of a local public agency  
22 (as defined in the United States Housing Act of 1949) or any  
23 obligations of a public housing agency (as defined in the United  
24 States Housing Act of 1937) for which the faith and credit of the  
25 United States are pledged for the payment of principal and interest.

26 (c) Bonds of this state or of any local agency or district of the  
27 State of California having the power, without limit as to rate or  
28 amount, to levy taxes or assessments to pay the principal and  
29 interest of the bonds upon all property within its boundaries subject  
30 to taxation or assessment by the local agency or district, and in  
31 addition, limited obligation bonds pursuant to Article 4  
32 (commencing with Section 50665) of Chapter 3 of Division 1,  
33 senior obligation bonds pursuant to Article 5 (commencing with  
34 Section 53387) of Chapter 2.7, and revenue bonds and other  
35 obligations payable solely out of the revenues from a  
36 revenue-producing property owned, controlled or operated by the  
37 state, local agency or district or by a department, board, agency  
38 or authority thereof.

39 (d) Bonds of any public housing agency (as defined in the United  
40 States Housing Act of 1937, as amended) as are secured by a pledge

1 of annual contributions under an annual contribution contract  
2 between the public housing agency and the Public Housing  
3 Administration if such contract shall contain the covenant by the  
4 Public Housing Administration which is authorized by subsection  
5 (b) of Section 22 of the United States Housing Act of 1937, as  
6 amended, and if the maximum sum and the maximum period  
7 specified in the contract pursuant to that subsection 22(b) shall not  
8 be less than the annual amount and the period for payment which  
9 are requisite to provide for the payment when due of all  
10 installments of principal and interest on the obligations.

11 (e) Registered warrants of this state.

12 (f) Bonds, consolidated bonds, collateral trust debentures,  
13 consolidated debentures, or other obligations issued by the United  
14 States Postal Service, federal land banks or federal intermediate  
15 credit banks established under the Federal Farm Loan Act, as  
16 amended, debentures and consolidated debentures issued by the  
17 Central Bank for Cooperatives and banks for cooperatives  
18 established under the Farm Credit Act of 1933, as amended,  
19 consolidated obligations of the federal home loan banks established  
20 under the Federal Home Loan Bank Act, bonds, debentures and  
21 other obligations of the Federal National Mortgage Association  
22 or of the Government National Mortgage Association established  
23 under the National Housing Act, as amended, bonds of any federal  
24 home loan bank established under that act, bonds, debentures and  
25 other obligations of the Federal Home Loan Mortgage Corporation  
26 established under the Emergency Home Finance Act of 1970, and  
27 obligations of the Tennessee Valley Authority.

28 (g) Notes, tax anticipation warrants or other evidence of  
29 indebtedness issued pursuant to Article 7 (commencing with  
30 Section 53820), Article 7.5 (commencing with Section 53840) or  
31 Article 7.6 (commencing with Section 53850) of this Chapter 4.

32 (h) State of California notes.

33 (i) Bonds, notes, certificates of indebtedness, warrants or other  
34 obligations issued by: (1) any state of the United States (except  
35 this state), or the Commonwealth of Puerto Rico, or any local  
36 agency thereof having the power to levy taxes, without limit as to  
37 rate or amount, to pay the principal and interest of such obligations,  
38 or (2) any state of the United States (except this state), or the  
39 Commonwealth of Puerto Rico, or a department, board, agency  
40 or authority thereof except bonds which provide for or are issued

1 pursuant to a law which may contemplate a subsequent legislative  
2 appropriation as an assurance of the continued operation and  
3 solvency of the department, board, agency or authority but which  
4 does not constitute a valid and binding obligation for which the  
5 full faith and credit of such state or the Commonwealth of Puerto  
6 Rico are pledged, which are payable solely out of the revenues  
7 from a revenue-producing source owned, controlled or operated  
8 thereby; provided the obligations issued by an entity described in  
9 (1), above, are rated in one of the three highest grades, and such  
10 obligations issued by an entity described in (2), above, are rated  
11 in one of the two highest grades by a nationally recognized  
12 investment service organization that has been engaged regularly  
13 in rating state and municipal issues for a period of not less than  
14 five years.

15 (j) Obligations issued, assumed or guaranteed by the  
16 International Bank for Reconstruction and Development,  
17 Inter-American Development Bank, the Government Development  
18 Bank of Puerto Rico, the Asian Development Bank, the  
19 International Finance Corporation, or the African Development  
20 Bank.

21 (k) Participation certificates of the Export-Import Bank of the  
22 United States.

23 (l) Bonds and notes of the California Housing Finance Agency  
24 issued pursuant to Chapter 7 (commencing with Section 51350)  
25 of Part 3 of Division 31 of the Health and Safety Code.

26 (m) Promissory notes secured by first mortgages and first trust  
27 deeds which comply with Section 53651.2.

28 (n) Any bonds, notes, warrants, or other evidences of  
29 indebtedness of a nonprofit corporation issued to finance the  
30 construction of a school building or school buildings pursuant to  
31 a lease or agreement with a school district entered into in  
32 compliance with the provisions of Section 39315 or 81345 of the  
33 Education Code, and also any bonds, notes, warrants or other  
34 evidences of indebtedness issued to refinance those bonds, notes,  
35 warrants, or other evidences of indebtedness as specified in Section  
36 39317 of the Education Code.

37 (o) Any municipal securities, as defined by Section 3(a)(29) of  
38 the Securities Exchange Act of June 6, 1934, (15 U.S.C. Sec. 78,  
39 as amended), which are issued by this state or any local agency  
40 thereof.

1 (p) With the consent of the treasurer, letters of credit issued by  
 2 the Federal Home Loan Bank of San Francisco which comply with  
 3 Section 53651.6.

4 (q) *Equity, loans, debt securities, bond anticipation notes, or*  
 5 *other obligations of the California Infrastructure and Economic*  
 6 *Development Bank.*

7 *SEC. 13. Section 63010 of the Government Code is amended*  
 8 *to read:*

9 63010. For purposes of this division, the following words and  
 10 terms shall have the following meanings unless the context clearly  
 11 indicates or requires another or different meaning or intent:

12 (a) “Act” means the Bergeson-Peace Infrastructure and  
 13 Economic Development Bank Act.

14 (b) “Bank” means the California Infrastructure and Economic  
 15 Development Bank.

16 (c) “Board” or “bank board” means the Board of Directors of  
 17 the California Infrastructure and Economic Development Bank.

18 (d) “Bond purchase agreement” means a contractual agreement  
 19 executed between the bank and a sponsor, or a special purpose  
 20 trust authorized by the bank or a sponsor, or both, whereby the  
 21 bank or special purpose trust authorized by the bank agrees to  
 22 purchase bonds of the sponsor for retention or sale.

23 (e) “Bonds” means bonds, including structured, senior, and  
 24 subordinated bonds or other securities; loans; notes, including  
 25 bond, revenue, tax, or grant anticipation notes; commercial paper;  
 26 floating rate and variable maturity securities; and any other  
 27 evidences of indebtedness or ownership, including certificates of  
 28 participation or beneficial interest, asset backed certificates, or  
 29 lease-purchase or installment purchase agreements, whether taxable  
 30 or excludable from gross income for federal income taxation  
 31 purposes.

32 (f) “Commission” means the *Infrastructure and Economic*  
 33 *Development Bank Commission.*

34 (f)

35 (g) “Cost,” as applied to a project or portion thereof financed  
 36 under this division, means all or any part of the cost of construction,  
 37 renovation, and acquisition of all lands, structures, real or personal  
 38 property, rights, rights-of-way, franchises, licenses, easements,  
 39 and interests acquired or used for a project; the cost of demolishing  
 40 or removing any buildings or structures on land so acquired,

1 including the cost of acquiring any lands to which the buildings  
2 or structures may be moved; the cost of all machinery, equipment,  
3 and financing charges; interest prior to, during, and for a period  
4 after completion of construction, renovation, or acquisition, as  
5 determined by the bank; provisions for working capital; reserves  
6 for principal and interest and for extensions, enlargements,  
7 additions, replacements, renovations, and improvements; and the  
8 cost of architectural, engineering, financial and legal services,  
9 plans, specifications, estimates, administrative expenses, and other  
10 expenses necessary or incidental to determining the feasibility of  
11 any project or incidental to the construction, acquisition, or  
12 financing of any project, and transition costs in the case of an  
13 electrical corporation.

14 ~~(g)~~

15 (h) “Economic development facilities” means real and personal  
16 property, structures, buildings, equipment, and supporting  
17 components thereof that are used to provide industrial, recreational,  
18 research, commercial, utility, goods movement, or service  
19 enterprise facilities, community, educational, cultural, or social  
20 welfare facilities and any parts or combinations thereof, and all  
21 facilities or infrastructure necessary or desirable in connection  
22 therewith, including provision for working capital, but shall not  
23 include any housing.

24 ~~(h)~~

25 (i) “Electrical corporation” has the meaning set forth in Section  
26 218 of the Public Utilities Code.

27 ~~(i)~~

28 (j) “Executive director” means the Executive Director of the  
29 California Infrastructure and Economic Development Bank  
30 appointed pursuant to Section 63021.

31 ~~(j)~~

32 (k) “Financial assistance” in connection with a project, includes,  
33 but is not limited to, any combination of grants, loans, the proceeds  
34 of bonds issued by the bank or special purpose trust, insurance,  
35 guarantees or other credit enhancements or liquidity facilities, and  
36 contributions of money, property, labor, or other things of value,  
37 as may be approved by resolution of the board or the sponsor, or  
38 both; the purchase or retention of bank bonds, the bonds of a  
39 sponsor for their retention or for sale by the bank, or the issuance  
40 of bank bonds or the bonds of a special purpose trust used to fund



1 the cost of a project for which a sponsor is directly or indirectly  
2 liable, including, but not limited to, bonds, the security for which  
3 is provided in whole or in part pursuant to the powers granted by  
4 Section 63025.1; bonds for which the bank has provided a  
5 guarantee or enhancement, including, but not limited to, the  
6 purchase of the subordinated bonds of the sponsor, the subordinated  
7 bonds of a special purpose trust, or the retention of the subordinated  
8 bonds of the bank pursuant to Chapter 4 (commencing with Section  
9 63060); or any other type of assistance deemed appropriate by the  
10 bank or the sponsor, except that no direct loans shall be made to  
11 nonpublic entities other than in connection with the issuance of  
12 rate reduction bonds pursuant to a financing order or in connection  
13 with a financing for an economic development facility.

14 For purposes of this subdivision, “grant” does not include grants  
15 made by the bank except when acting as an agent or intermediary  
16 for the distribution or packaging of financing available from  
17 federal, private, or other public sources.

18 ~~(k)~~

19 (l) “Financing order” has the meaning set forth in Section 840  
20 of the Public Utilities Code.

21 ~~(t)~~

22 (m) “Guarantee trust fund” means the California Infrastructure  
23 Guarantee Trust Fund.

24 ~~(m)~~

25 (n) “Infrastructure bank fund” means the California  
26 Infrastructure and Economic Development Bank Fund.

27 ~~(n)~~

28 (o) “Loan agreement” means a contractual agreement executed  
29 between the bank or a special purpose trust and a sponsor that  
30 provides that the bank or special purpose trust will loan funds to  
31 the sponsor and that the sponsor will repay the principal and pay  
32 the interest and redemption premium, if any, on the loan.

33 ~~(o)~~

34 (p) “Participating party” means any person, company,  
35 corporation, association, state, or municipal governmental entity,  
36 partnership, firm, or other entity or group of entities, whether  
37 organized for profit or not for profit, engaged in business or  
38 operations within the state and that applies for financing from the  
39 bank in conjunction with a sponsor for the purpose of implementing  
40 a project. However, in the case of a project relating to the financing

1 of transition costs or the acquisition of transition property, or both,  
2 on the request of an electrical corporation, or in connection with  
3 financing for an economic development facility, or for the financing  
4 of insurance claims, the participating party shall be deemed to be  
5 the same entity as the sponsor for the financing.

6 ~~(p)~~

7 (q) “Project” means designing, acquiring, planning, permitting,  
8 entitling, constructing, improving, extending, restoring, financing,  
9 and generally developing public development facilities or economic  
10 development facilities within the state or financing transition costs  
11 or the acquisition of transition property, or both, upon approval of  
12 a financing order by the Public Utilities Commission, as provided  
13 in Article 5.5 (commencing with Section 840) of Chapter 4 of Part  
14 1 of Division 1 of the Public Utilities Code.

15 ~~(q)~~

16 (r) “Public development facilities” means real and personal  
17 property, structures, conveyances, equipment, thoroughfares,  
18 buildings, and supporting components thereof, excluding any  
19 housing, that are directly related to providing the following:

20 (1) “City streets” including any street, avenue, boulevard, road,  
21 parkway, drive, or other way that is any of the following:

22 (A) An existing municipal roadway.

23 (B) Is shown upon a plat approved pursuant to law and includes  
24 the land between the street lines, whether improved or unimproved,  
25 and may comprise pavement, bridges, shoulders, gutters, curbs,  
26 guardrails, sidewalks, parking areas, benches, fountains, plantings,  
27 lighting systems, and other areas within the street lines, as well as  
28 equipment and facilities used in the cleaning, grading, clearance,  
29 maintenance, and upkeep thereof.

30 (2) “County highways” including any county highway as defined  
31 in Section 25 of the Streets and Highways Code, that includes the  
32 land between the highway lines, whether improved or unimproved,  
33 and may comprise pavement, bridges, shoulders, gutters, curbs,  
34 guardrails, sidewalks, parking areas, benches, fountains, plantings,  
35 lighting systems, and other areas within the street lines, as well as  
36 equipment and facilities used in the cleaning, grading, clearance,  
37 maintenance, and upkeep thereof.

38 (3) “Drainage, water supply, and flood control” including, but  
39 not limited to, ditches, canals, levees, pumps, dams, conduits,  
40 pipes, storm sewers, and dikes necessary to keep or direct water

1 away from people, equipment, buildings, and other protected areas  
2 as may be established by lawful authority, as well as the  
3 acquisition, improvement, maintenance, and management of  
4 floodplain areas and all equipment used in the maintenance and  
5 operation of the foregoing.

6 (4) “Educational facilities” including libraries, ~~child-care~~  
7 *childcare* facilities, including, but not limited to, ~~day-care~~ *daycare*  
8 facilities, and employment training facilities.

9 (5) “Environmental mitigation measures” including required  
10 construction or modification of public infrastructure and purchase  
11 and installation of pollution control and noise abatement  
12 equipment.

13 (6) “Parks and recreational facilities” including local parks,  
14 recreational property and equipment, parkways, and property.

15 (7) “Port facilities” including airports, inland ports, landports,  
16 waterports, railports, docks, harbors, ports of entry, piers, ships,  
17 small boat harbors and marinas, and any other facilities, additions,  
18 or improvements in connection therewith, that transport goods or  
19 persons.

20 (8) “Power and communications” including facilities for the  
21 transmission or distribution of electrical energy, natural gas, and  
22 telephone and telecommunications service.

23 (9) “Public transit” including air and rail transport, airports,  
24 guideways, vehicles, rights-of-way, passenger stations,  
25 maintenance and storage yards, and related structures, including  
26 public parking facilities, and equipment used to provide or enhance  
27 transportation by bus, rail, ferry, or other conveyance, either  
28 publicly or privately owned, that provides to the public general or  
29 special service on a regular and continuing basis.

30 (10) “Sewage collection and treatment” including pipes, pumps,  
31 and conduits that collect wastewater from residential,  
32 manufacturing, and commercial establishments, the equipment,  
33 structures, and facilities used in treating wastewater to reduce or  
34 eliminate impurities or contaminants, and the facilities used in  
35 disposing of, or transporting, remaining sludge, as well as all  
36 equipment used in the maintenance and operation of the foregoing.

37 (11) “Solid waste collection and disposal” including vehicles,  
38 vehicle-compatible waste receptacles, transfer stations, recycling  
39 centers, sanitary landfills, and waste conversion facilities necessary

1 to remove solid waste, except that which is hazardous as defined  
2 by law, from its point of origin.

3 (12) “Water treatment and distribution” including facilities in  
4 which water is purified and otherwise treated to meet residential,  
5 manufacturing, or commercial purposes and the conduits, pipes,  
6 and pumps that transport it to places of use.

7 (13) “Defense conversion” including, but not limited to, facilities  
8 necessary for successfully converting military bases consistent  
9 with an adopted base reuse plan.

10 (14) “Public safety facilities” including, but not limited to, police  
11 stations, fire stations, court buildings, jails, juvenile halls, and  
12 juvenile detention facilities.

13 (15) “State highways” including any state highway as described  
14 in Chapter 2 (commencing with Section 230) of Division 1 of the  
15 Streets and Highways Code, and the related components necessary  
16 for safe operation of the highway.

17 (16) (A) “Military infrastructure,” including, but not limited  
18 to, facilities on or near a military installation, that enhance the  
19 military operations and mission of one or more military  
20 installations in this state. To be eligible for funding, the project  
21 shall be endorsed by the Office of Planning and Research.

22 (B) For purposes of this subdivision, “military installation”  
23 means any facility under the jurisdiction of the Department of  
24 Defense, as defined in paragraph (1) of subsection (e) of Section  
25 2687 of Title 10 of the United States Code.

26 (17) “Goods movement-related infrastructure” including port  
27 facilities, roads, rail, and other facilities and projects that move  
28 goods, energy, and information.

29 (18) “Housing-related infrastructure” including city streets;  
30 drainage, water supply, and flood control; environmental mitigation  
31 measures; power and communications; public transit improvement  
32 that directly supports transit-oriented housing; sewage collection  
33 and treatment; and water treatment and distribution.

34 ~~(r)~~

35 (s) “Rate reduction bonds” has the meaning set forth in Section  
36 840 of the Public Utilities Code.

37 ~~(s)~~

38 (t) “Revenues” means all receipts, purchase payments, loan  
39 repayments, lease payments, and all other income or receipts  
40 derived by the bank or a sponsor from the sale, lease, or other

1 financing arrangement undertaken by the bank, a sponsor, or a  
2 participating party, including, but not limited to, all receipts from  
3 a bond purchase agreement, and any income or revenue derived  
4 from the investment of any money in any fund or account of the  
5 bank or a sponsor and any receipts derived from transition property.  
6 Revenues shall not include moneys in the General Fund of the  
7 state.

8 (t)

9 (u) “Special purpose trust” means a trust, partnership, limited  
10 partnership, association, corporation, nonprofit corporation, or  
11 other entity authorized under the laws of the state to serve as an  
12 instrumentality of the state to accomplish public purposes and  
13 authorized by the bank to acquire, by purchase or otherwise, for  
14 retention or sale, the bonds of a sponsor or of the bank made or  
15 entered into pursuant to this division and to issue special purpose  
16 trust bonds or other obligations secured by these bonds or other  
17 sources of public or private revenues. Special purpose trust also  
18 means any entity authorized by the bank to acquire transition  
19 property or to issue rate reduction bonds, or both, subject to the  
20 approvals by the bank and powers of the bank as are provided by  
21 the bank in its resolution authorizing the entity to issue rate  
22 reduction bonds.

23 (u)

24 (v) “Sponsor” means any subdivision of the state or local  
25 government including departments, agencies, commissions, cities,  
26 counties, nonprofit corporations formed on behalf of a sponsor,  
27 special districts, assessment districts, and joint powers authorities  
28 within the state or any combination of these subdivisions that  
29 makes an application to the bank for financial assistance in  
30 connection with a project in a manner prescribed by the bank. This  
31 definition shall not be construed to require that an applicant have  
32 an ownership interest in the project. In addition, an electrical  
33 corporation shall be deemed to be the sponsor as well as the  
34 participating party for any project relating to the financing of  
35 transition costs and the acquisition of transition property on the  
36 request of the electrical corporation and any person, company,  
37 corporation, partnership, firm, or other entity or group engaged in  
38 business or operation within the state that applies for financing of  
39 any economic development facility, shall be deemed to be the

1 sponsor as well as the participating party for the project relating  
2 to the financing of that economic development facility.

3 ~~(v)~~

4 (w) “State” means the State of California.

5 ~~(w)~~

6 (x) “Transition costs” has the meaning set forth in Section 840  
7 of the Public Utilities Code.

8 ~~(x)~~

9 (y) “Transition property” has the meaning set forth in Section  
10 840 of the Public Utilities Code.

11 *SEC. 14. Section 63021 of the Government Code is amended*  
12 *to read:*

13 63021. (a) There is within ~~the Governor’s Office of Business~~  
14 ~~and Economic Development~~ *state government* the Infrastructure  
15 and Economic Development Bank ~~which~~ *that* shall be responsible  
16 for administering this division. *The bank shall be under the*  
17 *supervision of the Infrastructure and Economic Development Bank*  
18 *Commission established pursuant to Section 63021.1.*

19 ~~(b) The bank shall be under the direction of an executive director~~  
20 ~~appointed by the Governor, and who shall serve at the pleasure of~~  
21 ~~the Governor. The appointment shall be subject to confirmation~~  
22 ~~by the Senate.~~

23 (b) (1) (A) *The bank shall be governed and its corporate power*  
24 *exercised by a board of directors, consisting of nine voting*  
25 *members and two nonvoting members. The voting members*  
26 *identified in subparagraph (C) shall be appointed by the*  
27 *Infrastructure and Economic Development Bank Commission and*  
28 *serve staggered terms, pursuant to subparagraph (F), at the*  
29 *pleasure of the commission.*

30 (B) *The Lieutenant Governor, or that person’s designee, shall*  
31 *serve as the chairperson and shall be a voting member.*

32 (C) *The other voting members shall consist of all of the*  
33 *following:*

34 (i) *Three banking professionals, all of whom shall have*  
35 *experience in community development finance or at a local*  
36 *financial institution.*

37 (ii) *One county treasurer.*

38 (iii) *Four experts in affordable housing financing or policy,*  
39 *organized labor, environmental justice, racial justice, climate*

1 *change mitigation, microenterprise lending, or employee-owned*  
2 *business.*

3 *(D) The two nonvoting members shall be the Director of*  
4 *Finance, or that person's designee, and the Director of the*  
5 *Governor's Office of Business and Economic Development, or*  
6 *that person's designee.*

7 *(E) Five voting members shall constitute a quorum, and the*  
8 *affirmative vote of five voting members shall be necessary for the*  
9 *board to take any action.*

10 *(F) The voting members shall serve four-year terms, which may*  
11 *be renewed and shall be staggered with no more than two directors*  
12 *appointed each year, except for the first year.*

13 *(2) A member of the board shall not participate in any bank*  
14 *action or attempt to influence any decision or recommendation by*  
15 *any employee of, or consultant to, the bank that involves a sponsor*  
16 *of which the member is a representative or in which the member*  
17 *or the immediate family of the member has a personal financial*  
18 *interest within the meaning of Section 87100. For purposes of this*  
19 *section, "immediate family" means the spouse, children, and*  
20 *parents of the member.*

21 *(3) (A) Except as provided in subparagraph (B), the members*  
22 *of the board shall serve without compensation but shall be*  
23 *reimbursed for actual and necessary expenses incurred in the*  
24 *performance of their duties to the extent that reimbursement for*  
25 *these expenses is not otherwise provided or payable by another*  
26 *public agency.*

27 *(B) Those board members not employed by another public*  
28 *agency shall receive two hundred fifty dollars (\$250) for each full*  
29 *day of attending meetings of the board.*

30 *(c) The bank shall be under the direction of an executive director*  
31 *who shall be appointed by, and serve at the pleasure of, the board.*

32 *SEC. 15. Section 63021.1 is added to the Government Code,*  
33 *to read:*

34 *63021.1. (a) (1) There is hereby established the Infrastructure*  
35 *and Economic Development Bank Commission, which shall consist*  
36 *of the following members:*

37 *(A) The Governor or the Governor's designee.*

38 *(B) The Treasurer or the Treasurer's designee.*

39 *(C) The Controller or the Controller's designee.*

1 (2) *If any person designated to serve on the commission pursuant*  
2 *to this subdivision is incapable of serving due to death or*  
3 *incapacity or by law, the Governor shall appoint a person to fill*  
4 *the vacancy.*

5 (b) *Three members of the commission shall constitute a quorum*  
6 *for the transaction of business.*

7 SEC. 16. *Section 63021.2 is added to the Government Code,*  
8 *to read:*

9 63021.2. (a) *The bank is hereby transferred from the*  
10 *Governor's Office of Business and Economic Development to the*  
11 *Infrastructure and Economic Development Bank Commission.*

12 (b) *The executive director and the members of the board under*  
13 *the Governor's Office of Business and Economic Development*  
14 *that were serving as of the operative date of the act adding this*  
15 *section shall remain in those positions and shall serve under the*  
16 *Infrastructure and Economic Development Bank Commission.*

17 (c) *The duties, powers, purposes, responsibilities, and*  
18 *jurisdiction of the bank under the Governor's Office of Business*  
19 *and Economic Development that were in existence as of the*  
20 *operative date of the act adding this section shall remain with the*  
21 *bank under the Infrastructure and Economic Development Bank*  
22 *Commission.*

23 (d) *For the performance of the duties and the exercise of the*  
24 *powers vested in the bank under this division, the bank shall have*  
25 *possession and control of all records, papers, offices, equipment,*  
26 *supplies, or other property, real or personal, that were, as of the*  
27 *operative date of the act adding this section, held for the benefit*  
28 *or use by the bank when the bank was formerly within the*  
29 *Governor's Office of Business and Economic Development.*

30 (e) *All employees serving in state civil service, including*  
31 *temporary employees, who are engaged in the performance of*  
32 *functions transferred to the Infrastructure and Economic*  
33 *Development Bank Commission by the act adding this section are*  
34 *transferred to the Infrastructure and Economic Development Bank*  
35 *Commission. The status, positions, and rights of those persons*  
36 *shall not be affected by their transfer and shall continue to be*  
37 *retained by them pursuant to the State Civil Service Act (Part 2*  
38 *commencing with Section 18500) of Division 5), except as to*  
39 *positions the duties of which are vested in a position exempt from*



1 *civil service. The personnel records of all transferred employees*  
2 *shall be transferred to the commission.*

3 *(f) The Infrastructure and Economic Development Bank*  
4 *Commission shall succeed to all of the rights and property of the*  
5 *Governor's Office of Business and Economic Development*  
6 *conferred by this division. The property of any office, agency, or*  
7 *other entity of state government related to functions transferred*  
8 *to the Infrastructure and Economic Development Bank Commission*  
9 *is transferred by the act adding this section to the Infrastructure*  
10 *and Economic Development Bank Commission. If any doubt arises*  
11 *as to whether that property is transferred, the Department of*  
12 *General Services shall determine whether the property is*  
13 *transferred.*

14 *(g) All unencumbered balances of appropriations and other*  
15 *funds that were previously available for use in connection with*  
16 *any function or the administration of this division by the*  
17 *Governor's Office of Business and Economic Development shall*  
18 *be transferred to the Infrastructure and Economic Development*  
19 *Bank Commission for the use and for the purpose for which the*  
20 *appropriation was originally made or the funds were originally*  
21 *available. If there is any doubt as to whether any funds are*  
22 *required to be transferred pursuant to this subdivision, the*  
23 *Department of Finance shall determine whether the transfer is*  
24 *required.*

25 *(h) The Infrastructure and Economic Development Bank*  
26 *Commission is subject to all the debts and liabilities of the*  
27 *Governor's Office of Business and Economic Development*  
28 *pursuant to this division as if the Infrastructure and Economic*  
29 *Development Bank Commission had incurred them.*

30 *(i) Any reference to the Governor's Office of Business and*  
31 *Economic Development in this division, other than in this section,*  
32 *shall be deemed to instead refer to the Infrastructure and Economic*  
33 *Development Bank Commission.*

34 *SEC. 17. Section 63021.3 is added to the Government Code,*  
35 *to read:*

36 *63021.3. (a) (1) On or before January 1, 2021, the executive*  
37 *director shall prepare, or cause to be prepared, a proposed*  
38 *projected five-year budget detailing the costs expected to be*  
39 *incurred during that period due to the transfer of the bank from*  
40 *the Governor's Office of Business and Economic Development to*

1 *the Infrastructure and Economic Development Bank Commission,*  
2 *pursuant to Section 63021.2, and the operation of the bank as a*  
3 *depository institution, pursuant to Section 63025.10.*

4 (2) *Upon completion of the proposed projected five-year budget*  
5 *pursuant to subdivision (a), the executive director shall submit the*  
6 *proposed projected five-year budget to the board, which shall*  
7 *review and may amend the proposed projected five-year budget,*  
8 *for approval. Upon approval by the board, the executive director*  
9 *shall submit the final projected five-year budget to the Legislature*  
10 *and provide a copy to the fiscal committees of each house of the*  
11 *Legislature.*

12 (b) (1) *No later than January 1, 2022, and in order to facilitate*  
13 *the transition of the bank from the Governor's Office of Business*  
14 *and Economic Development to the Infrastructure and Economic*  
15 *Development Bank Commission, pursuant to Section 63021.2, and*  
16 *the operation of the bank as a depository institution, pursuant to*  
17 *Section 63025.10, the executive director shall do all of the*  
18 *following:*

19 (A) *Develop the proposed projected five-year budget required*  
20 *by subdivision (a).*

21 (B) *Develop a standard form to be used to apply for a deposit*  
22 *account pursuant to subdivision (b) of Section 63025.10.*

23 (C) *Seek to have the bank become a state member bank of the*  
24 *Federal Reserve System pursuant to paragraph (1) of subdivision*  
25 *(c) of Section 63025.10.*

26 (D) *Develop a handbook for internal use by bank staff regarding*  
27 *the responsibilities and requirements applicable to the bank,*  
28 *including any applicable regulations and fiduciary rules, in its*  
29 *capacity as a state member bank of the Federal Reserve System.*

30 (2) *In carrying out the duties under this section, the executive*  
31 *director shall employ as necessary professional staff or consultants*  
32 *with expertise in the regulatory and other policy practices of the*  
33 *Federal Reserve System to assist in those activities described in*  
34 *paragraph (1).*

35 *SEC. 18. Section 63021.5 of the Government Code is repealed.*

36 ~~63021.5. (a) The bank shall be governed and its corporate~~  
37 ~~power exercised by a board of directors that shall consist of the~~  
38 ~~following persons:~~

39 ~~(1) The Director of Finance or his or her designee.~~

40 ~~(2) The Treasurer or his or her designee.~~

1 ~~(3) The Director of the Governor's Office of Business and~~  
2 ~~Economic Development or his or her designee, who shall serve as~~  
3 ~~chair of the board.~~

4 ~~(4) An appointee of the Governor.~~

5 ~~(5) The Secretary of Transportation or his or her designee.~~

6 ~~(b) Any designated director shall serve at the pleasure of the~~  
7 ~~designating power.~~

8 ~~(c) Three of the members shall constitute a quorum and the~~  
9 ~~affirmative vote of three board members shall be necessary for~~  
10 ~~any action to be taken by the board.~~

11 ~~(d) A member of the board shall not participate in any bank~~  
12 ~~action or attempt to influence any decision or recommendation by~~  
13 ~~any employee of, or consultant to, the bank that involves a sponsor~~  
14 ~~of which he or she is a representative or in which the member or~~  
15 ~~a member of his or her immediate family has a personal financial~~  
16 ~~interest within the meaning of Section 87100. For purposes of this~~  
17 ~~section, "immediate family" means the spouse, children, and~~  
18 ~~parents of the member.~~

19 ~~(e) Except as provided in this subdivision, the members of the~~  
20 ~~board shall serve without compensation, but shall be reimbursed~~  
21 ~~for actual and necessary expenses incurred in the performance of~~  
22 ~~their duties to the extent that reimbursement for these expenses is~~  
23 ~~not otherwise provided or payable by another public agency, and~~  
24 ~~shall receive one hundred dollars (\$100) for each full day of~~  
25 ~~attending meetings of the authority.~~

26 *SEC. 19. Section 63025.1 of the Government Code is amended*  
27 *to read:*

28 63025.1. The bank board may do or delegate the following to  
29 the executive director: *all of the following:*

30 (a) Sue and be sued in its own name.

31 (b) As provided in Chapter 5 (commencing with Section 63070),  
32 issue bonds and authorize special purpose trusts to issue bonds,  
33 including, at the option of the board, bonds bearing interest that  
34 is taxable for the purpose of federal income taxation, or borrow  
35 money to pay all or any part of the cost of any project, or to  
36 otherwise carry out the purposes of this division.

37 (c) Engage the services of private consultants to render  
38 professional and technical assistance and advice in carrying out  
39 the purposes of this division.

1 (d) Employ attorneys, financial consultants, and other advisers  
2 as may, in the bank's judgment, be necessary in connection with  
3 the issuance and sale, or authorization of special purpose trusts for  
4 the issuance and sale, of any bonds, notwithstanding Sections  
5 11042 and 11043.

6 (e) Contract for engineering, architectural, accounting, or other  
7 services of appropriate state agencies as may, in its judgment, be  
8 necessary for the successful development of a project.

9 (f) Pay the reasonable costs of consulting engineers, architects,  
10 accountants, and construction, land use, recreation, and  
11 environmental experts employed by any sponsor or participating  
12 party if, in the bank's judgment, those services are necessary for  
13 the successful development of a project.

14 (g) Acquire, take title to, and sell by installment sale or  
15 otherwise, lands, structures, real or personal property, rights,  
16 rights-of-way, franchises, easements, and other interests in lands  
17 that are located within the state, or transition property as the bank  
18 may deem necessary or convenient for the financing of the project,  
19 upon terms and conditions that it considers to be reasonable.

20 (h) Receive and accept from any source including, but not  
21 limited to, the federal government, the state, or any agency thereof,  
22 loans, contributions, or grants, in money, property, labor, or other  
23 things of value, for, or in aid of, a project, or any portion thereof.

24 (i) Make loans to any sponsor or participating party, either  
25 directly or by making a loan to a lending institution, in connection  
26 with the financing of a project in accordance with an agreement  
27 between the bank and the sponsor or a participating party, either  
28 as a sole lender or in participation with other lenders. However,  
29 no loan shall exceed the total cost of the project as determined by  
30 the sponsor or the participating party and approved by the bank.

31 (j) Make loans to any sponsor or participating party, either  
32 directly or by making a loan to a lending institution, in accordance  
33 with an agreement between the bank and the sponsor or  
34 participating party to refinance indebtedness incurred by the  
35 sponsor or participating party in connection with projects  
36 undertaken and completed prior to any agreement with the bank  
37 or expectation that the bank would provide financing, either as a  
38 sole lender or in participation with other lenders.

39 (k) Mortgage all or any portion of the bank's interest in a project  
40 and the property on which any project is located, whether owned

1 or thereafter acquired, including the granting of a security interest  
2 in any property, tangible or intangible.

3 (l) Assign or pledge all or any portion of the bank's interests in  
4 transition property and the revenues therefrom, or assets, things  
5 of value, mortgages, deeds of trust, bonds, bond purchase  
6 agreements, loan agreements, indentures of mortgage or trust, or  
7 similar instruments, notes, and security interests in property,  
8 tangible or intangible and the revenues therefrom, of a sponsor or  
9 a participating party to which the bank has made loans, and the  
10 revenues therefrom, including payment or income from any interest  
11 owned or held by the bank, for the benefit of the holders of bonds.

12 (m) Make, receive, or serve as a conduit for the making of, or  
13 otherwise provide for, grants, contributions, guarantees, insurance,  
14 credit enhancements or liquidity facilities, or other financial  
15 enhancements to a sponsor or a participating party as financial  
16 assistance for a project.

17 (n) Lease the project being financed to a sponsor or a  
18 participating party, upon terms and conditions that the bank deems  
19 proper but shall not be leased at a loss; charge and collect rents  
20 therefor; terminate any lease upon the failure of the lessee to  
21 comply with any of the obligations thereof; include in any lease,  
22 if desired, provisions that the lessee shall have options to renew  
23 the lease for a period or periods, and at rents determined by the  
24 bank; purchase any or all of the project; or, upon payment of all  
25 the indebtedness incurred by the bank for the financing of the  
26 project, the bank may convey any or all of the project to the lessee  
27 or lessees.

28 (o) Charge and equitably apportion among sponsors and  
29 participating parties the bank's administrative costs and expenses  
30 incurred in the exercise of the powers and duties conferred by this  
31 division.

32 (p) Issue, obtain, or aid in obtaining, from any department or  
33 agency of the United States, from other agencies of the state, or  
34 from any private company, any insurance or guarantee to, or for,  
35 the payment or repayment of interest or principal, or both, or any  
36 part thereof, on any loan, lease, or obligation or any instrument  
37 evidencing or securing the same, made or entered into pursuant to  
38 this division.

39 (q) Notwithstanding any other provision of this division, enter  
40 into any agreement, contract, or any other instrument with respect

1 to any insurance or guarantee; accept payment in the manner and  
2 form as provided therein in the event of default by a sponsor or a  
3 participating party; and issue or assign any insurance or guarantee  
4 as security for the bank's bonds.

5 (r) Enter into any agreement or contract, execute any instrument,  
6 and perform any act or thing necessary or convenient to, directly  
7 or indirectly, secure the bank's bonds, the bonds issued by a special  
8 purpose trust, or a sponsor's obligations to the bank or to a special  
9 purpose trust, including, but not limited to, bonds of a sponsor  
10 purchased by the bank or a special purpose trust for retention or  
11 sale, with funds or moneys that are legally available and that are  
12 due or payable to the sponsor by reason of any grant, allocation,  
13 apportionment or appropriation of the state or agencies thereof, to  
14 the extent that the Controller shall be the custodian at any time of  
15 these funds or moneys, or with funds or moneys that are or will  
16 be legally available to the sponsor, the bank, or the state or any  
17 agencies thereof by reason of any grant, allocation, apportionment,  
18 or appropriation of the federal government or agencies thereof;  
19 and in the event of written notice that the sponsor has not paid or  
20 is in default on its obligations to the bank or a special purpose  
21 trust, direct the Controller to withhold payment of those funds or  
22 moneys from the sponsor over which it is or will be custodian and  
23 to pay the same to the bank or special purpose trust or their  
24 assignee, or direct the state or any agencies thereof to which any  
25 grant, allocation, apportionment or appropriation of the federal  
26 government or agencies thereof is or will be legally available to  
27 pay the same upon receipt by the bank or special purpose trust or  
28 their assignee, until the default has been cured and the amounts  
29 then due and unpaid have been paid to the bank or special purpose  
30 trust or their assignee, or until arrangements satisfactory to the  
31 bank or special purpose trust have been made to cure the default.

32 (s) Enter into any agreement or contract, execute any instrument,  
33 and perform any act or thing necessary, convenient, or appropriate  
34 to carry out any power expressly given to the bank by this division,  
35 including, but not limited to, agreements for the sale of all or any  
36 part, including principal, interest, redemption rights or any other  
37 rights or obligations, of bonds of the bank or of a special purpose  
38 trust, liquidity agreements, contracts commonly known as interest  
39 rate swap agreements, forward payment conversion agreements,  
40 futures or contracts providing for payments based on levels of, or

1 changes in, interest rates or currency exchange rates, or contracts  
2 to exchange cash-flows or a series of payments, or contracts,  
3 including options, puts or calls to hedge payments, rate, spread,  
4 currency exchange, or similar exposure, or any other financial  
5 instrument commonly known as a structured financial product.

6 (t) Purchase, with the proceeds of the bank's bonds, transition  
7 property or bonds issued by, or for the benefit of, any sponsor in  
8 connection with a project, pursuant to a bond purchase agreement  
9 or otherwise. Bonds or transition property purchased pursuant to  
10 this division may be held by the bank, pledged or assigned by the  
11 bank, or sold to public or private purchasers at public or negotiated  
12 sale, in whole or in part, separately or together with other bonds  
13 issued by the bank, and notwithstanding any other provision of  
14 law, may be bought by the bank at private sale.

15 (u) Enter into purchase and sale agreements with all entities,  
16 public and private, including state and local government pension  
17 funds, with respect to the sale or purchase of bonds or transition  
18 property.

19 (v) Invest any moneys held in reserve or sinking funds, or any  
20 moneys not required for immediate use or disbursement, in  
21 obligations that are authorized by law for the investment of trust  
22 funds in the custody of the Treasurer.

23 (w) Authorize a special purpose trust or trusts to purchase or  
24 retain, with the proceeds of the bonds of a special purpose trust,  
25 transition property or bonds issued by, or for the benefit of, any  
26 sponsor in connection with a project or issued by the bank or a  
27 special purpose trust, pursuant to a bond purchase agreement or  
28 otherwise. Bonds or transition property purchased pursuant to this  
29 title may be held by a special purpose entity, pledged or assigned  
30 by a special purpose entity, or sold to public or private purchasers  
31 at public or negotiated sale, in whole or in part, with or without  
32 structuring, subordination or credit enhancement, separately or  
33 together with other bonds issued by a special purpose trust, and  
34 notwithstanding any other provision of law, may be bought by the  
35 bank or by a special purpose trust at private sale.

36 (x) Approve the issuance of any bonds, notes, or other evidences  
37 of indebtedness by the Rural Economic Development Infrastructure  
38 Panel, established pursuant to Section 15373.7.

39 (y) Approve the issuance of rate reduction bonds by an entity  
40 other than the bank or a special purpose trust to acquire transition

1 property upon approval of the transaction in a financing order by  
2 the Public Utilities Commission, as provided in Article 5.5  
3 (commencing with Section 840) of Chapter 4 of Part 1 of Division  
4 1 of the Public Utilities Code.

5 (z) Apply for and accept subventions, grants, loans, advances,  
6 and contributions from any source of money, property, labor, or  
7 other things of value. The sources may include bond proceeds,  
8 dedicated taxes, state appropriations, federal appropriations, federal  
9 grant and loan funds, public and private sector retirement system  
10 funds, and proceeds of loans from the Pooled Money Investment  
11 Account.

12 (aa) Do all things necessary and convenient to carry out its  
13 purposes and exercise its powers, provided, however, that nothing  
14 herein shall be construed to authorize the bank to engage directly  
15 in the business of a manufacturing, industrial, real estate  
16 development, or nongovernmental service enterprise. Further,  
17 *except as provided in Section 63025.10*, the bank shall not be  
18 organized to accept deposits of money for time or demand deposits  
19 or to constitute a bank or trust company.

20 (ab) *Collaborate with the Governor and the Treasurer to seek*  
21 *loan guarantees under the Municipal Liquidity Facility or other*  
22 *Federal facility pursuant to the federal CARES Act.*

23 (ac) *Consolidate any of the debt purchased by the bank into*  
24 *securities for resale on a secondary market for the purpose of*  
25 *creating liquidity for the bank and participant lenders and seek*  
26 *any necessary securities registrations or permits.*

27 *SEC. 20. Section 63025.10 is added to the Government Code,*  
28 *to read:*

29 *63025.10. (a) (1) Notwithstanding subdivision (aa) of Section*  
30 *63025.1, the Department of Business Oversight shall charter the*  
31 *bank as a depository bank for the purpose of accepting deposits*  
32 *of public funds from any of the following:*

33 (A) *The Treasurer.*

34 (i) *Within one year of the date on which the bank is chartered*  
35 *as a depository bank, the Treasurer shall deposit at least 20 percent*  
36 *of the deposits in the State Treasury into the Treasurer's account*  
37 *in the bank.*

38 (ii) *Within five years of the date on which the bank is chartered*  
39 *as a depository bank, the Treasurer shall deposit 100 percent of*



1 *the deposits in the State Treasury into the Treasurer's account in*  
2 *the bank.*

3 *(B) A state officer or employee having control over money*  
4 *belonging to or in the custody of the state.*

5 *(C) A local agency.*

6 *(D) A quasi-public nonprofit entity, upon the approval of the*  
7 *board pursuant to paragraph (1) of subdivision (b).*

8 *(2) On or before January 1, 2022, the Department of Business*  
9 *Oversight, consistent with its existing authority, shall adopt or*  
10 *amend any rule or regulation necessary to facilitate the*  
11 *organization of the bank as a depository bank for purposes of this*  
12 *section.*

13 *(b) (1) The Treasurer, a state officer or employee having control*  
14 *over money belonging to or in the custody of the state, including*  
15 *those moneys in the Pooled Money Investment Account or the*  
16 *Local Agency Investment Fund, or a local agency may establish*  
17 *a deposit account with the bank, under the terms and conditions*  
18 *established by the bank. A quasi-public nonprofit entity may*  
19 *establish a deposit account pursuant to this subdivision but only*  
20 *upon approval by the board consistent with the purposes of this*  
21 *section.*

22 *(2) Moneys deposited in a deposit account established pursuant*  
23 *to this subdivision shall not be subject to either of the following:*

24 *(A) Transfer or loan pursuant to Section 16310, 16312, or*  
25 *16313.*

26 *(B) Impoundment or seizure by any state official or state agency.*

27 *(c) In carrying out its powers and duties under this section, the*  
28 *bank shall do all of the following:*

29 *(1) Seek to become a state member bank of the Federal Reserve*  
30 *System, as provided in Part 208 of Title 12 of the Code of Federal*  
31 *Regulations, and to open a master account with a Federal Reserve*  
32 *Bank.*

33 *(2) Seek to become a member of the Federal Home Loan Bank*  
34 *System, as provided in Part 1263 of Title 12 of the Code of Federal*  
35 *Regulations, and to open a master account with a Federal Home*  
36 *Loan Bank. Any account opened with a Federal Home Loan Bank*  
37 *pursuant to this paragraph shall be used primarily for short-term*  
38 *loan transactions to balance the accounts of the bank consistent*  
39 *with the fiduciary duty of the bank acting as a depository bank*  
40 *pursuant to this section and the requirements of subdivision (d).*

1 (3) *Employ experienced staff sufficient, in the bank’s judgment,*  
2 *to carry out the fiduciary duties of a depository bank, including*  
3 *daily balancing of deposit accounts established pursuant to*  
4 *subdivision (b) and obtaining short-term loans from the Federal*  
5 *Reserve, and for the purpose of evaluating and generating*  
6 *financing activity.*

7 (d) *The bank shall not engage in prohibited high-risk activities*  
8 *and shall make all reasonable efforts to insulate moneys in deposit*  
9 *accounts established pursuant to subdivision (b) from those*  
10 *prohibited high-risk activities by segregating those accounts from*  
11 *any collateralized pools.*

12 (e) *Any profits realized from the activities of the bank pursuant*  
13 *to this section shall be used for the following purposes, in order*  
14 *of priority:*

15 (1) *Payment of interest on deposits in all deposit accounts*  
16 *established pursuant to subdivision (b).*

17 (2) *Retention for use as capital reserves to expand the financing*  
18 *activities of the bank.*

19 (3) *Reversion to the General Fund.*

20 (f) *The bank may charge transaction fees, including origination*  
21 *and issuance fees, for services provided pursuant to this section,*  
22 *subject to the following:*

23 (1) *The amount of the fee shall not exceed the reasonable cost*  
24 *to the bank of performing the service rendered.*

25 (2) *The bank shall ensure that the amount of fees charged*  
26 *pursuant to this section are less than comparable fees charged by*  
27 *a private commercial bank.*

28 (3) *Any advance collection of fees pursuant to paragraph (4)*  
29 *of subdivision (c) shall be deducted from the principal of a loan*  
30 *issued consistent with this section.*

31 (g) *The bank may, but shall not be required to, obtain FDIC*  
32 *insurance.*

33 (h) *For purposes of this section:*

34 (1) *“Deposit account” means an account with the bank on which*  
35 *the account holder is permitted to make withdrawals from time to*  
36 *time in person by negotiable or transferable instrument, payment*  
37 *orders of withdrawal, telephone transfers, or other similar items*  
38 *for the purpose of making payments or transfers to third persons*  
39 *or others. The term includes both demand and time deposits.*

1 (2) “Local agency” means a county, city, including a city and  
2 county, district, joint powers authority formed pursuant to the  
3 Joint Exercise of Powers Act (Chapter 5 (commencing with Section  
4 6500) of Division 7 of Title 1), and any other subdivision of the  
5 state. “Local agency” specifically includes, but is not limited to,  
6 the joint powers authority known as “the Investment Trust of  
7 California” or “CalTRUST” and any retirement system established  
8 by a local agency.

9 (3) “Prohibited high-risk activities” means any activities,  
10 products, or financial instruments involved in facilitating the  
11 creation of credit across the global financial system but whose  
12 members or intermediaries are not subject to regulatory oversight.  
13 “Prohibited high-risk activities” includes any such bank-like  
14 products, as well as actions by regulated institutions engaged in  
15 unregulated activities, and contracts between two or more parties  
16 the value of which is based on an agreed-upon underlying financial  
17 asset, index, or security, such as commodities contracts, financial  
18 futures, derivatives, forward contracts, and options, but does not  
19 include bonds, currency-hedging, or credit-default swaps necessary  
20 to insure against interest rate issues concomitant to the provision  
21 of credit to public entities pursuant to this section.

22 SEC. 21. Section 63035 of the Government Code is amended  
23 to read:

24 63035. The bank shall, not later than November 1 of each year,  
25 submit to the ~~Governor~~ Governor, the Infrastructure and Economic  
26 Development Bank Commission, and the Legislature, pursuant to  
27 Section 9795, a report for the preceding fiscal year ending on June  
28 30 containing information on the bank’s activities relating to the  
29 infrastructure bank fund and programs. The report shall include  
30 all of the following:

31 (a) (1) Information on the infrastructure bank fund, including,  
32 but not limited to, its present balance, moneys encumbered, moneys  
33 allocated, repayments, and other sources of revenues received  
34 during the fiscal year.

35 (2) Information on the impact of the activities funded by the  
36 infrastructure bank fund moneys, including, but not limited to, the  
37 number of jobs created and ~~retained~~, *retained and projected to be*  
38 *created and retained*, the environmental impact that resulted, and  
39 economic value provided to the state.

1 (b) A specification of conduit and revenue bonds sold and  
2 interest rates thereon, including, but not limited to, the use of the  
3 bond proceeds.

4 (c) The amount of other public and private funds leveraged by  
5 the assistance provided.

6 (d) A report of revenues and expenditures for the preceding  
7 fiscal year, including all of the bank's costs. The information  
8 provided pursuant to this subdivision shall include, but need not  
9 be limited to, both of the following:

10 (1) The amount and source of total bank revenues. Revenues  
11 shall be shown by main categories of revenues, including the  
12 General Fund, special funds, federal funds, interest earnings, fees  
13 collected, and bond proceeds, for each bank program.

14 (2) The amount and type of total bank expenditures.  
15 Expenditures shall be shown by major categories of expenditures,  
16 including loans provided, debt service payments, and program  
17 support costs, for each bank program.

18 (e) *Information concerning deposit accounts pursuant to Section*  
19 *63025.10, including the number of deposit accounts, the types of*  
20 *entities with deposit accounts, interest paid on deposit accounts,*  
21 *and the use and performance of the moneys in those deposit*  
22 *accounts.*

23 (e)

24 (f) A projection of the bank's needs and requirements for the  
25 coming year.

26 (f)

27 (g) Recommendations for changes in state and federal law  
28 necessary to meet the objectives of this division.

29 (g)

30 (h) The executive director shall post the report on the bank's  
31 ~~Internet Web site.~~ *internet website.*

32 *SEC. 22. Section 63037 is added to the Government Code, to*  
33 *read:*

34 *63037. The bank shall study the development and offering,*  
35 *directly or in partnership with participating lenders, of additional*  
36 *products, including, but not limited to, all of the following:*

37 (a) *Universal deferred payment bonds or "baby bonds."*

38 (b) *Pension investments into green jobs, climate change*  
39 *mitigation and resilience, or renewable energy infrastructure.*

- 1     (c) *Investment accounts and products that facilitate impact*
- 2     *investing by private investors and institutions, including pension*
- 3     *funds, into unbanked and underbanked communities.*
- 4     (d) *Low-to-no-cost banking and payment services, either directly*
- 5     *or in partnership with participating lenders, directed toward*
- 6     *unbanked and underbanked communities.*
- 7     (e) *Alternative to payday or car title loans, either directly or in*
- 8     *partnership with participating lenders, in the form of short-term*
- 9     *secured and unsecured credit products.*
- 10    (f) (1) *Other financial services to meet an identified community*
- 11    *need to be suggested by community input process, conducted*
- 12    *annually, and presented at a public meeting of the Board of*
- 13    *Directors.*
- 14    (2) *The community input process referenced in paragraph (1)*
- 15    *shall include all of the following:*
- 16    (A) *Surveys of the community, participating lenders, target*
- 17    *borrowers, and local agencies.*
- 18    (B) *A public report that includes a summary of findings and a*
- 19    *plan to address the stated needs of the community.*
- 20    (C) *A period of public comment on the plan, including hearings*
- 21    *and a written response from the bank.*
- 22    (g) *The community input process described in subdivision (f)*
- 23    *shall not be required until one year after the bank receives its*
- 24    *depository authority.*
- 25    SEC. 23. *Section 63050 of the Government Code is amended*
- 26    *to read:*
- 27    63050. (a) *There is hereby created in the State Treasury the*
- 28    *California Infrastructure and Economic Development Bank Fund*
- 29    *for the purpose of implementing the objectives and provisions of*
- 30    *this division. Within the fund there shall also be established a*
- 31    *Sponsor Revenue Bond Account, a Participating Party Revenue*
- 32    *Bond Account, a State Infrastructure Revolving Account, and*
- 33    *additional accounts and subaccounts that the bank may establish*
- 34    *from time to time.*
- 35    (b) *Notwithstanding Section 13340 and except as provided in*
- 36    *subdivision (c), all moneys in the infrastructure bank fund are*
- 37    *continuously appropriated without regard to fiscal years for the*
- 38    *support of the bank and shall be available for expenditure for the*
- 39    *purposes stated in this division.*

1 (c) Moneys in the infrastructure bank fund shall be available  
2 for expenditure for general administration only upon appropriation  
3 by the Legislature. This subdivision shall not limit the authority  
4 of the bank to expend funds directly related to the servicing of  
5 approved debt. Moneys in the fund shall be available for the  
6 purpose of general administration of the authority only upon  
7 appropriation by the Legislature, but not more than 5 percent of  
8 any bond proceeds administered by the authority may be expended  
9 to cover the costs of issuance, as that terminology is defined under  
10 Section 147 (G) of the Internal Revenue Code.

11 ~~(d) Notwithstanding any other provision of this division, not~~  
12 ~~more than 15 percent of the financing annually approved by the~~  
13 ~~executive director that utilizes state funds from the infrastructure~~  
14 ~~bank fund may be expended upon educational facilities,~~  
15 ~~environmental mitigation measures, and parks and recreational~~  
16 ~~facilities.~~

17 (e)

18 (d) The executive director may transfer funds between the  
19 infrastructure bank fund and the guarantee trust fund when  
20 appropriate to accomplish the financing objectives of this division.

21 *SEC. 24. Section 63088.3 of the Government Code is amended*  
22 *to read:*

23 63088.3. Unless the context otherwise requires, the definitions  
24 in this section shall govern the construction of this chapter. The  
25 definitions provided in this section shall only apply to this chapter  
26 and not to any other chapter of this division.

27 (a) “Bank” means the California Infrastructure and Economic  
28 Development Bank.

29 (b) “Bank board” means the board of directors of the California  
30 Infrastructure and Economic Development Bank.

31 (c) “Board of directors” means the board of directors of a  
32 corporation.

33 (d) “California Small Business Board” means the advisory board  
34 established pursuant to Section 14004.1 of the Corporations Code  
35 for the purpose of advising on issues and programs affecting small  
36 business.

37 (e) “California Small Business Finance Center” means the  
38 governmental unit within the bank, which is located within the  
39 Governor’s Office of Business and Economic Development, with  
40 the administrative responsibility for programs and activities

1 authorized pursuant to Section 8684.2 of this code, Chapter 1  
2 (commencing with Section 14000) of Part 5 of Division 3 of Title  
3 1 of the Corporations Code, and this chapter.

4 (f) “Corporation” means ~~any nonprofit California small business~~  
5 ~~financial development corporation created pursuant to Chapter 1~~  
6 ~~(commencing with Section 14000) of Part 5 of Division 3 of Title~~  
7 ~~1 of the Corporations Code, or pursuant to Chapter 1 (commencing~~  
8 ~~with Section 32000) of Division 15.5 of the Financial Code. both~~  
9 *of the following:*

10 (1) *A nonprofit California small business financial development*  
11 *corporation created pursuant to either Chapter 1 (commencing*  
12 *with Section 14000) of Part 5 of Division 3 of Title 1 of the*  
13 *Corporations Code or pursuant to Chapter 1 (commencing with*  
14 *Section 32000) of Division 15.5 of the Financial Code.*

15 (2) *A financial institution.*

16 (g) “Directives and requirements” means a document adopted  
17 by the bank board setting forth policy direction as well as key rules  
18 governing a particular subject area.

19 (h) “Executive director” means the executive director of the  
20 California Infrastructure and Economic Development Bank.

21 (i) “Expansion fund” means the California Small Business  
22 Expansion Fund authorized pursuant to Section 63089.5.

23 (j) “Financial company” means banking organizations, including  
24 national banks and trust companies, savings and loan associations,  
25 certified community development financial institutions,  
26 microbusiness lenders, state insurance companies, mutual insurance  
27 companies, and other public and private banking, lending,  
28 retirement, and insurance organizations.

29 (k) “Financial institution” means regulated banking  
30 organizations, including national banks and trust companies  
31 authorized to conduct business in California and state-chartered  
32 commercial banks, trust companies, credit unions, ~~and~~ savings and  
33 ~~loan associations. associations, and other nonprofit certified~~  
34 *community development financial institutions.*

35 (l) “Financial product” means the type of financial assistance  
36 described in Section 63088.5, authorized by this chapter, or that  
37 the California Small Business Finance Center or a small business  
38 financial development corporation is otherwise authorized to  
39 provide.

1 (m) “Loan committee” means a committee appointed by the  
2 board of directors of a corporation to determine the course of action  
3 on a loan application pursuant to this chapter.

4 (n) “Microbusiness” means a for-profit or nonprofit borrower  
5 which employs 50 or fewer people or revenue under \$2.5 million.

6 ~~(n)~~

7 (o) “Microbusiness lender” means a microbusiness lender as  
8 defined in Section 13997.2.

9 (p) “Participating lender” means a certified community  
10 development financial institution (CDFI), bank, or credit union  
11 participating in a bank program.

12 (q) “Participation lending” means either of the following:

13 (1) Purchasing or selling an interest in a loan originated by or  
14 sold to a local financial institution.

15 (2) Originating, leading, or directing a loan transaction  
16 involving a financial institution pursuant to a written agreement  
17 with the local financial institution.

18 ~~(q)~~

19 (r) “Program manager” means the manager of the California  
20 Small Business Finance Center as designated to this title by the  
21 executive director of the California Infrastructure and Economic  
22 Development Bank.

23 ~~(p)~~

24 (s) “Small business loan” means a loan to a business defined as  
25 an eligible small business as set forth in Section 121.3-10 of Part  
26 121 of Chapter 1 of Title 13 of the Code of Federal Regulations,  
27 including those businesses organized for agricultural purposes that  
28 create or retain employment as a result of the loan unless otherwise  
29 defined by the directives and requirements. Directives and  
30 requirements shall provide guidelines as to the preferred ratio of  
31 jobs created or retained to total funds borrowed for guidance to  
32 the corporations.

33 ~~(s)~~

34 (t) “Trust fund” means the moneys from the expansion fund  
35 that is held in trust by a financial institution or financial company.  
36 A trust fund is not a deposit of state funds and is not subject to the  
37 requirements of Section 16506.

38 ~~(t)~~

39 (u) “Trustee” means the lending institution or financial company  
40 selected by the bank board to hold and invest the trust funds, or



1 selected by a predecessor agency to the bank, if applicable. An  
2 agreement made pursuant to this chapter and the trustee shall not  
3 be construed to be a deposit of state funds.

4 ~~(s)~~

5 (v) "Trust fund account" means an account within the trust fund  
6 that is either allocated to a particular corporation or shared by  
7 multiple corporations for the purpose of paying loan defaults and  
8 claims on bond guarantees or other financial products and program  
9 uses provided in this chapter.

10 (w) "Wholesale lending" means granting a loan or extension  
11 of credit to a local financial institution.

12 SEC. 25. Article 8.5 (commencing with Section 63089.85) is  
13 added to Chapter 6 of Division 1 of Title 6.7 of the Government  
14 Code, to read:

15

16 *Article 8.5. Financing of Underserved and Disadvantaged*  
17 *Businesses*

18

19 63089.85. (a) *The bank board shall establish lending and*  
20 *credit support programs with participating lenders.*

21 (b) *The bank board shall continue or expand the Small Business*  
22 *Finance Center to include all of the following:*

23 (1) *Loan guarantees under the Small Business Loan Guarantee*  
24 *Program.*

25 (2) *Issuing lines and letters of credit.*

26 (3) *Securitization.*

27 (4) *Bundling.*

28 (5) *Insurance.*

29 (6) *Conducting participation lending and wholesale lending.*

30 (7) *Offering subordinated debt on more favorable terms than*  
31 *comparable commercial debt with maturities of at least 15 years.*

32 (8) *Full or partial loan repurchases.*

33 (9) *Paragraphs (7) and (8) shall apply only to participating*  
34 *lenders that are CDFIs serving low-income communities,*  
35 *community development credit unions, and public banks.*

36 (c) (1) *At least 60 percent of the small business loan guarantees*  
37 *provided pursuant to paragraph (1) of subdivision (b) shall be*  
38 *applied to loans made to target borrowers.*

- 1 (2) *The bank shall guarantee 100 percent of a small business*  
2 *loan guaranteed pursuant to this subdivision that meets all of the*  
3 *following criteria:*
- 4 (A) *The loan has a maturity period that is not longer than six*  
5 *years.*
- 6 (B) *The loan is in an amount not greater than the lesser of the*  
7 *following:*
- 8 (i) *One hundred thousand dollars (\$100,000).*
- 9 (ii) *An amount equivalent to six months of the borrower's*  
10 *current expenses.*
- 11 (C) *The loan has a fixed interest rate that is less than the prime*  
12 *rate plus one percent.*
- 13 (D) *Payments on the loan are deferred for at least 12 months.*
- 14 (E) *A minimum credit score is not required to obtain the loan.*
- 15 (F) *The loan does not require a personal guarantee.*
- 16 (G) *The loan is not required to be secured by collateral.*
- 17 (H) *At the time the loan was originated, the borrower's annual*  
18 *revenue did not exceed two million five hundred thousand dollars*  
19 *(\$2,500,000).*
- 20 (I) *The borrower was not required to provide a social security*  
21 *number to complete the loan application.*
- 22 (J) *The borrower is a target borrower.*
- 23 (3) *As used in this subdivision, "target borrower" means a*  
24 *borrower that meets at least two of the following criteria:*
- 25 (A) *The borrower is a microbusiness.*
- 26 (B) *The borrower is located in a disadvantaged community,*  
27 *identified pursuant to Section 39711 of the Health and Safety Code,*  
28 *a rural area, or a tribal area.*
- 29 (C) *The borrower is a business of which at least 51 percent is*  
30 *owned by persons who:*
- 31 (i) *Lack a social security number.*
- 32 (ii) *Live in disadvantaged communities identified pursuant to*  
33 *Section 39711 of the Health and Safety Code.*
- 34 (iii) *Are low-income, women, indigenous, minority, immigrants,*  
35 *or formerly incarcerated.*
- 36 (d) *The bank board shall establish minimum standards for all*  
37 *participating lenders to ensure that no lender is using the bank's*  
38 *programs for exclusionary, predatory, or extractive products,*  
39 *including standards with respect to all of the following:*

1 (1) (A) An annual review of participating lenders that shall be  
2 subject to public comment.

3 (B) The list of participating lenders shall be subject to approval  
4 by the bank board.

5 (2) Maximum allowable fees for participating lenders.

6 (3) Maximum allowable loan spreads for participating lenders.

7 (4) Maximum allowable annual percentage rate.

8 SEC. 26. Section 63089.98 of the Government Code is amended  
9 to read:

10 63089.98. (a) Annually, not later than January 1 of each year  
11 commencing January 1, 2014, and notwithstanding Section  
12 10231.5, the program manager shall prepare and submit to the  
13 ~~Governor~~ Governor, the Infrastructure and Economic Development  
14 Bank Commission, the board, and the Legislature, pursuant to  
15 Section 9795, a report for the preceding fiscal year ending June  
16 30, containing the expansion fund and trust fund financial product  
17 activity of each corporation, including all of the following:

18 (1) Direct loans, guarantees, and other financial products  
19 awarded and outstanding balances.

20 (2) Default and loss statistics.

21 (3) Employment data.

22 (4) Ethnicity and gender data of participating contractors and  
23 other entities, and experience of surety insurer participants in the  
24 bond guarantee program.

25 (5) Geographic distribution by city and county of the direct  
26 loans, guarantees, and other financial products awarded and  
27 outstanding at the close of the fiscal year.

28 (6) Significant events.

29 (b) The program manager shall post the report on the bank's  
30 ~~Internet Web site.~~ internet website.

31 SEC. 27. Chapter 7 (commencing with Section 63090) is added  
32 to Division 1 of Title 6.7 of the Government Code, to read:

33

34 CHAPTER 7. FINANCING OF LOCAL GOVERNMENTS

35

36 63090. (a) The bank may purchase bond anticipation notes of  
37 local agencies and tribal governments.

38 (b) (1) The bank may purchase, underwrite, and act as  
39 broker-dealer for the placement of revenue bonds or general  
40 obligation bonds for local agencies and tribal governments.

1 (2) *The activities described in paragraph (1) shall prioritize*  
2 *bonds issued for the purposes of funding affordable housing, school*  
3 *districts, social services, and publicly-owned infrastructure.*

4 (c) *The bank may directly lend and extend credit on more*  
5 *favorable terms than comparable commercial or public debt to a*  
6 *local agency or tribal government, including a public bank, as*  
7 *defined in Section 57600.*

8 (d) *On or before March 1, 2021, the bank shall create a bridge*  
9 *loan program for local agencies serving disadvantaged*  
10 *communities identified pursuant to Section 39711 of the Health*  
11 *and Safety Code.*

12 63090.1. *The bank shall do all of the following:*

13 (a) *Provide technical assistance to local agency organizers to*  
14 *develop viability studies, business plans, and charter applications*  
15 *for public banks, as defined in Section 57600 of the Government*  
16 *Code.*

17 (b) *Develop loan facilities, extend credit, and provide financial*  
18 *services to public banks, as defined in Section 57600.*

19 (c) *Liaise with the Federal Reserve, federal Small Business*  
20 *Administration, and other Federal agencies on behalf of public*  
21 *banks, as defined in Section 57600.*

22 (d) *Develop a plan to create a network of public banks to pool*  
23 *risk, insurance, technology, compliance, and administrative*  
24 *capacity.*

25 (e) *The bank shall solicit feedback from local agencies and*  
26 *tribal governments to better address their needs.*

27 ~~SECTION 1. Section 219 of the Code of Civil Procedure is~~  
28 ~~amended to read:~~

29 ~~219. (a) Except as provided in subdivision (b), the jury~~  
30 ~~commissioner shall randomly select jurors for jury panels to be~~  
31 ~~sent to courtrooms for voir dire.~~

32 ~~(b) (1) Notwithstanding subdivision (a), a peace officer, as~~  
33 ~~defined in Section 830.1, subdivision (a) of Section 830.2, or~~  
34 ~~subdivision (a) of Section 830.33 of the Penal Code, shall not be~~  
35 ~~selected for voir dire in civil or criminal matters.~~

36 ~~(2) Notwithstanding subdivision (a), a peace officer, as defined~~  
37 ~~in subdivision (b) or (c) of Section 830.2 of the Penal Code, shall~~  
38 ~~not be selected for voir dire in criminal matters.~~

39 ~~(3) Notwithstanding subdivision (a), a peace officer, as described~~  
40 ~~in subdivision (a) or (b) of Section 830.5 of the Penal Code, who~~

1 is employed by a probation department shall not be selected for  
2 voir dire in criminal matters. This paragraph shall remain in effect  
3 until January 1, 2024, and as of that date is repealed.  
4 SEC. 2. Section 219.1 is added to the Code of Civil Procedure,  
5 to read:  
6 219.1. (a) On or before January 1, 2023, the Judicial Council  
7 shall submit a report to the Legislature that addresses the impact  
8 of categorical exemptions to jury service, including the exemptions  
9 provided in subdivision (b) of Section 219. The report shall  
10 specifically discuss how these exemptions impact all of the  
11 following:  
12 (1) Court administration.  
13 (2) Diversity, including the cultural and professional  
14 backgrounds of the jury pool.  
15 (3) Overall access to justice, including delays in trial scheduling  
16 and dismissals of last-day criminal trials.  
17 (b) The Judicial Council may utilize representative surveys to  
18 generate the data necessary to complete the report required by this  
19 section, which it shall submit to the Legislature in compliance with  
20 Section 9795 of the Government Code.

# Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor  inquiries"
- 5. City Attorney Request.
- 6. Call File No.  from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Fewer, Preston

Subject:

Resolution Urging Support for California State Assembly Bill 310 (Santiago), the California Public Banking Act.

The text is listed:

Resolution urging support of California State Assembly Bill 310, authored by Assembly Member Miguel Santiago and co-authored by Assembly Members David Chiu, Buffy Wicks, Ash Kalra, Lorena Gonzalez and Mike Gipson, and Senators Ben Hueso, Lena Gonzalez and Scott Weiner, to restructure the Infrastructure and Economic Development Bank (IBank) as a depository public state bank to aid in recovery efforts related to COVID-19 and the subsequent economic recession.

Signature of Sponsoring Supervisor:

For Clerk's Use Only