

AMENDED IN SENATE MAY 1, 2019

SENATE BILL

No. 528

Introduced by Senator Hueso

February 21, 2019

An act to amend Sections 16500, 16500.5, 53630.5, 63010, 63021, 63025.1, 63035, 63050, and 63089.98 of, to add Sections 63021.1, 63021.2, 63021.3, and 63025.10 to, and to repeal Section 63021.5 of, *add Section 63021.2 to the Government Code, relating to the California Infrastructure and Economic Development Bank, and making an appropriation therefor. Bank.*

LEGISLATIVE COUNSEL'S DIGEST

SB 528, as amended, Hueso. California Infrastructure and Economic Development Bank.

~~(1) The~~

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.

~~This bill would 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 Attorney General, and the person who served as Governor immediately preceding the current Governor. The bill would require the commission to oversee the activities of the board of directors and the executive director, and to appoint the members of the board of directors and the executive director subject to confirmation by both houses of the Legislature. *a task force, composed of specified members, including the Director of the Governor's Office of Business and Economic Development, to study the workability, potential costs, and estimated timeframe to transition the I-Bank into a depository institution to accept deposits from state and local governments and to lend money to local governments for their infrastructure needs. The bill would require the task force to submit a report to the Legislature no later than January 1, 2021, composed of specified elements, including a list and description of each task that must be performed to transition the I-Bank into a state-chartered depository institution, the identities of which entity or entities will be responsible for performing each task, an estimated timeline to complete each task, and an indication of which tasks, if any, are predicated on the completion of other tasks.*~~

~~The bill would require the executive director, by January 1, 2020, 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 bank, as described above, and the operation of the 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 bank and the operation of the bank as a depository institution. The bill, until January 1, 2020, 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 transfer \$500,000 from the General Fund to the I-Bank fund to be used for the employment of professional staff or consultants for these purposes. By transferring money to a continuously appropriated fund, this bill would make an appropriation.~~

~~(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.~~

~~This bill would require that the I-Bank be chartered as a depository institution and 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 bank. The bill would require that the bank, among other things, become a member of the Federal Reserve System and the Federal Home Loan Bank System and prohibit the bank from engaging in prohibited high-risk activities, as defined. The bill would provide that moneys in the I-Bank fund for purposes of these provisions are subject to appropriation by the Legislature.~~

~~(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 such as 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 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.~~

~~Vote: $\frac{2}{3}$ -majority. Appropriation: yes-no. Fiscal committee: yes. State-mandated local program: no.~~

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

1 *SECTION 1. Section 63021.2 is added to the Government Code,*
2 *to read:*

3 63021.2. (a) *A task force is hereby established in state*
4 *government to study the workability, potential costs, and estimated*
5 *timeframe to transition the California Infrastructure and Economic*
6 *Development Bank (I-Bank) into a depository institution to accept*
7 *deposits from state and local governments and to lend money to*
8 *local governments for their infrastructure needs.*

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

10 (1) *The Director of the Governor's Office of Business and*
11 *Economic Development.*

12 (2) *The executive director of the I-Bank or the director's*
13 *designee.*

14 (3) *The Commissioner of Business Oversight or the*
15 *commissioner's designee.*

16 (4) *The Director of Finance or the director's designee.*

17 (5) *The Treasurer or the Treasurer's designee.*

18 (6) *The Senate Committee on Rules shall appoint two individuals*
19 *who have a background in relevant state and federal banking*
20 *regulations, bank formation and management, state and local*
21 *government infrastructure needs, or bond financing.*

22 (7) *The Speaker of the Assembly shall appoint two individuals*
23 *who have a background in relevant state and federal banking*
24 *regulations, bank formation and management, state and local*
25 *government infrastructure needs, or bond financing.*

26 (c) *The task force shall choose its chair from among its*
27 *membership.*

28 (d) *The task force shall convene its initial meeting on or before*
29 *February 1, 2020, and shall meet no fewer than three times before*
30 *voting on its final report.*

31 (e) *A quorum is necessary only for the task force to conduct*
32 *meetings at which the draft report and final report are to be voted*
33 *on. A majority plus one of the members serving on and appointed*
34 *to the task force at the time the meeting is convened shall constitute*
35 *a quorum.*

36 (f) *The task force shall include all of the following in its final*
37 *report:*

- 1 (1) *A list and description of each task that must be performed*
- 2 *to transition the I-Bank into a state-chartered depository*
- 3 *institution, the identities of which entity or entities will be*
- 4 *responsible for performing each task, an estimated timeline to*
- 5 *complete each task, and an indication of which tasks, if any, are*
- 6 *predicated on the completion of other tasks.*
- 7 (2) *Estimated staffing needs to perform the identified tasks.*
- 8 (3) *Estimated costs to perform the identified tasks.*
- 9 (4) *A list of any assumptions made in connection with*
- 10 *paragraphs (1) to (3), inclusive.*
- 11 (5) *A source or sources of funding to cover the estimated costs.*
- 12 (6) *A recommendation for whether, and, if applicable, when,*
- 13 *the legislative and executive branches should move forward to*
- 14 *initiate the performance of the identified tasks.*
- 15 (g) *Appointed task force members shall be reimbursed solely*
- 16 *for their actual travel costs to attend meetings. Costs associated*
- 17 *with state government officials attending meetings shall be paid*
- 18 *by the respective government entities.*
- 19 (h) *The task force may consult with individuals from the public*
- 20 *and private sectors when developing the report described in*
- 21 *subdivision (f). Individuals consulted shall not be eligible for*
- 22 *compensation or reimbursement.*
- 23 (i) *The task force shall submit a final report to the Legislature,*
- 24 *in accordance with Section 9795, no later than January 1, 2021.*

**All matter omitted in this version of the bill
appears in the bill as introduced in the
Senate, February 21, 2019. (JR11)**