

Date of Hearing: April, 7, 2014

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
 Roger Dickinson, Chair
 AB 2298 (Rodriguez) – As Introduced: February 21, 2014

SUBJECT: Local agency funds.

SUMMARY: Allows state chartered financial institutions that maintain local agency deposits to submit their Local Agency Deposit Weekly Reports via email or facsimile.

EXISTING LAW, pursuant to Government Code, Section 53663, provides that financial institutions that hold local agency deposits must report on the status of those deposits on a weekly basis. These reports must be hand delivered, or sent via United States Postal Service mail.

Government Code Sections 16340, 16429.1, 53601, 53601.6, 53601.8, 53635, 53635.2, 53638, and 53684 specify permissible types of investments that local agencies may invest in.

FISCAL EFFECT: Unknown

COMMENTS:

California law allows local agencies to invest surplus funds into various specified investment vehicles. For example, up to 30% of local agency funds can be invested in certificates of deposit at financial institutions. California regulated state banks and credit unions are required to report weekly on the status of those investments to the Department of Business Oversight. AB 2298 would simply allow the weekly reports to be provided electronically via email or facsimile.

Local Agency Investments.

While not addressed specifically in AB 2298, it may be worthy to note some background information regarding the permissible investments allowed under the Government code for local agencies.

To be eligible to receive local agency money, a financial institution must receive an overall rating of not less than “satisfactory” from the appropriate federal supervisory agency for meeting the criteria specified in Section 2906 of Title 12 of the U.S. Code (Community Reinvestment Act of 1977). The Community Re-investment Act of 1977 requires financial institutions to demonstrate their commitment to meeting the credit needs of local communities in which they are chartered to do business.

The following table demonstrates the allowable local agency investments under the Government code:

Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum quality requirement
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 Years	None	None

State Obligations	5 years	None	None
Ca Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	None
Commercial paper	270 days	25% of agencies total or 40% depending on agency	A-1
Certificates of Deposit	5 Years	30%	None
CD Placement service	5 years	30%	None
Repurchase agreements and Securities Lending Agreements	92 days	20% of base value of portfolio.	None
Medium-Term Notes	5 Years	30%	A Rating
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple requirements based on several factors.
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass through Securities	5 years	20%	AA rating
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund.			

REGISTERED SUPPORT / OPPOSITION:

Support

California Credit Union League (Sponsor)
California Bankers Association (CBA)
California Independent Bankers (CIB)

Opposition

None on file.

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