

1988

Deposit Of Public Moneys.

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Official Title and Summary Prepared by the Attorney General

DEPOSIT OF PUBLIC MONEYS. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Currently, the State Constitution authorizes the Legislature to provide for the deposit of public moneys in any bank, savings and loan association, or in any credit union in California. This measure amends the State Constitution to authorize the Legislature to provide for the deposit of public moneys in any federally insured industrial loan company in California. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: No direct fiscal effect. However, adoption could result in greater interest income to the state and local governments by increasing competition for the deposit of public moneys.

Final Vote Cast by the Legislature on ACA 63 (Proposition 88)

Assembly: Ayes 70	Senate: Ayes 37
Noes 1	Noes 0

Analysis by the Legislative Analyst**Background**

The California Constitution authorizes the Legislature to permit the deposit of public moneys in banks, savings and loan associations, or credit unions located in California. Currently, the Constitution does not authorize the deposit of such moneys in industrial loan companies.

Public moneys are funds in the custody of state and local governments. In general, industrial loan companies are financial institutions which attract investment funds with investment certificates and, in turn, loan these funds for various purposes.

The State Superintendent of Banks oversees deposits of public moneys made by local governments. The State Treasurer performs a similar function for deposits of public moneys made by the state.

Proposal

This constitutional amendment authorizes the Legislature to permit the deposit of public moneys in federally insured industrial loan companies located in California.

Fiscal Effect

By itself, this measure has no direct fiscal effect. The legislation to implement this measure could result in greater interest income to the state and local governments by increasing competition for the deposit of public moneys.

Argument in Favor of Proposition 88

A yes vote on Proposition 88 will help us as taxpayers get the most for our tax dollars. Proposition 88 is common-sense legislation that *benefits taxpayers throughout California by ensuring state and local governments can get the most competitive interest rates on deposits of public funds backed by the full faith and guarantee of the federal government.*

Proposition 88 will increase funds available for needed government services WITHOUT increasing taxes.

Public funds have been deposited for many years in federally insured banks and savings and loan associations. In 1986, California overwhelmingly voted to allow public deposits in credit unions. Proposition 88 similarly allows deposits of public funds in industrial loan companies insured by the Federal Deposit Insurance Corporation (FDIC).

Just like individuals and businesses, state and local governments (including school, water and park districts, as well as cities and counties) deposit funds in financial institutions to earn interest until needed. Proposition 88 is a nonpartisan technical amendment that includes federally insured industrial loan companies along with banks, savings and loans and credit unions on the list of authorized deposit institutions.

There's why allowing deposits in federally insured industrial loan companies makes sense:

- Proposition 88 provides more options to public finance officers responsible for reviewing and selecting financial institutions, which encourages competition for government deposits.
- More competitive interest rates will earn greater interest income on taxpayer dollars since industrial loan companies typically offer slightly higher interest rates.

- *Public deposits in industrial loan companies are as safe as those in banks*—they are FDIC insured and subject to the same regulatory requirements as public deposits in other financial institutions.
- Industrial loan companies have a long history of more than 69 years of service to California savers, consumers and small businesses.

We believe governments should maximize interest income on deposits of taxpayer dollars while preserving the safety of public funds. Industrial loan companies offer highly competitive interest rates on government deposits. **SO PROPOSITION 88 WILL SAVE TAXPAYER MONEY FOR NEEDED PUBLIC SERVICES BY EARNING MORE ON DEPOSITS.**

Federally insured industrial loan institutions provide depositors the same protections offered by banks:

- Industrial loan companies are regulated by the State of California and the FDIC.
- More than \$3,000,000,000 is currently deposited in over 400 industrial loan company offices statewide.
- The State Banking Department regulates the deposit of public funds.

Proposition 88 was overwhelmingly approved by the State Legislature—by votes of 37-0 in the Senate and 70-1 in the Assembly—because it saves taxpayers dollars, encourages competition for deposits of public funds, and provides additional safe and secure deposit options to public finance officers.

Please join us in voting YES ON PROPOSITION 88.

PATRICK JOHNSTON
Member of the Assembly, 26th District
JOHN LEWIS
Member of the Assembly, 67th District
GRAY DAVIS
State Controller

No argument against Proposition 88 was filed

Text of proposed law appears on page 123

velopment agency to finance or refinance, in whole or in part, the redevelopment project, the portion of taxes mentioned identified in paragraph designated (b) hereof subdivision (b), exclusive of that portion identified in subdivision (c), may be irrevocably pledged for the payment of the principal of and interest on said those loans, advances, or indebtedness.

intended by this section to empower any redevelopment agency, city, or city and county under any law authorized by this section to exercise the

provisions hereof separately or in combination with powers granted by the same or any other law relative to redevelopment agencies. This section shall not affect any other law or laws relating to the same or a similar subject but is intended to authorize an alternative method of procedure governing the subject to which it refers.

The Legislature shall enact such those laws as may be necessary to enforce the provisions of this section.

Proposition 88: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 63 (Statutes of 1988, Resolution Chapter 59) expressly amends the Constitution by amending a section thereof; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XI, SECTION 11

SEC. 11. (a) The Legislature may not delegate to a private person or body power to make, control, appropriate, supervise, or interfere with county or municipal corporation improvements, money, or property, or to levy taxes or

assessments, or perform municipal functions.

(b) The Legislature may, however, provide for the deposit of public moneys in any bank in this state or in any savings and loan association in this state or any credit union in this state or in any *federally insured industrial loan company in this state* and for payment of interest, principal, and redemption premiums of public bonds and other evidence of public indebtedness by banks within or without this state. It may also provide for investment of public moneys in securities and the registration of bonds and other evidences of indebtedness by private persons or bodies, within or without this state, acting as trustees or fiscal agents.

Proposition 93: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 16 (Statutes of 1988, Resolution Chapter 68) expressly amends the Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII, SECTION 3

First—That subdivision (o) of Section 3 of Article XIII thereof is amended to read:

(o) Property in the amount of \$1,000 of a claimant who—

(1) is serving in or has served in and has been discharged under honorable conditions from service in the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and—

(2) served either

(i) in time of war, or

(ii) in time of peace in a campaign or expedition for which a medal has been issued by Congress, or

(iii) in time of peace and because of a service-connected disability was released from active duty; and—

(3) resides in the State on the current lien date; and

~~(4) resided in the State either~~

~~(i) November 2, 1964; or~~
(i) the time of entry into one of the branches of the armed forces named in paragraph (4) of this subsection.

An unmarried person who owns property valued at \$5,000 or more, or a married person, who, together with the spouse, owns property valued at \$10,000 or more, is ineligible for this exemption.

If the claimant is married and does not own property eligible for the full amount of the exemption, property of the spouse shall be eligible for the unused balance of the exemption.

Second—That subdivision (p) of Section 3 of Article XIII thereof is amended to read:

(p) Property in the amount of \$1,000 of a claimant who—

(1) is the unmarried spouse of a deceased veteran who met the service requirement stated in paragraphs (1) and (2) of subsection 3(o), and

(2) does not own property in excess of \$10,000, and

(3) is a resident of the State on the current lien date; and either

~~(i) resided in the State on November 2, 1964; or~~

(i) is the unmarried spouse of a deceased veteran who met the residency requirement stated in paragraph 4 of subsection 3(o).

Third—That subdivision (q) of Section 3 of Article XIII thereof is amended to read:

(q) Property in the amount of \$1,000 of a claimant who—

(1) is the parent of a deceased veteran who met the service requirement stated in paragraphs (1) and (2) of subsection 3(o), and

(2) receives a pension because of the veteran's service, and

(3) is a resident of the State on the current lien date; and either

~~(i) resided in the State on November 2, 1964; or~~

(i) is the parent of a deceased veteran who met the residency requirement stated in paragraph 4 of subsection 3(o).

Either parent of a deceased veteran may claim this exemption.

An unmarried person who owns property valued at \$5,000 or more, or a married person, who, together with the spouse, owns property valued at \$10,000 or more, is ineligible for this exemption.

Proposition 95: Text of Proposed Law

Continued from page 67

selected from a panel of names submitted for consideration by the County Supervisors Association of California; and one who shall be selected from a panel of names submitted for consideration by the League of California Cities. The remaining appointee shall be a person who, in the judgment of the Governor, has demonstrated a commitment to the problems of hunger and homelessness.

(2) Five members appointed by the Senate Rules Committee, four of whom shall be persons having the following qualifications: one who shall be affiliated with a privately funded agency or organization which provided services to the hungry or homeless prior to January 1, 1987; one who shall be a provider of emergency nutrition services; one who shall be an official or employee of a local housing authority; and one who shall be affiliated with a Community Action Agency, as defined in Government Code Section 12750, which provides services to hungry or homeless persons. The remaining appointee shall be a person who, in the judgment of the Senate Rules Committee, has demonstrated a commitment to the problems of hunger and homelessness.

(3) Five members appointed by the Speaker of the California Assembly, four of whom shall be persons having the following qualifications: one who shall be affiliated with a provider of services to the hungry or homeless; one who shall have experience as a non-profit housing developer; one who shall be affiliated with a provider of federal food program services; and one who shall be affiliated with a provider of services to homeless adolescents. The remaining appointee shall be a person who, in the judgment of the Speaker of the California Assembly, has demonstrated a commitment to the problems of hunger and homelessness.

(4) The State Treasurer.

8699.6. Qualifications and Terms of Members.

(a) Members of the board shall be persons broadly reflective of the economic, cultural, geographic (including urban and rural), and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or percentages be applied in order to achieve that diversity.

Members shall be appointed for terms of three years. All initial appointments shall be made within 30 days of the effective date of this chapter. Vacancies shall be filled within 30 days by the appointing authority empowered by Section 8699.5(b) to appoint the member whose departure created the vacancy. A person appointed to fill a vacancy shall serve for the unexpired portion of the term in which the vacancy occurred. Members of the board shall be eligible for reappointment.

8699.7. Compensation and Expenses. Members of the board of directors shall be compensated at the rate of one hundred dollars (\$100) for each day they are engaged in meetings of the board or its committees or subcommittees. Members shall be reimbursed for actual expenses incurred on Corporation business, including necessary travel and child care expenses as determined by the Department of Personnel Administration.

8699.8. Chairperson. The board of directors shall meet within 60 days of the effective date of this Act for the purpose of selecting from among its membership an interim chairperson who shall serve until a permanent chairperson has been selected by the board. Thereafter, the board shall annually select from its membership a chairperson. The chairperson shall have the power to convene special meetings of the board upon 48 hours written notice to members.

8699.9. Open Meetings. Meetings of the Corporation shall be open and public in accordance with the Bagley-Keene Open Meeting Act, commencing with Section 11120 of Chapter 1 of Part 1 of Division 3 of the Government Code.

8699.10. Quorum; Voting. A quorum shall consist of eight members of the board. All decisions of the Corporation shall be made by a majority vote of the quorum.

8699.11. Appointment of Executive Director. The board shall appoint an executive director within 120 days of the effective date of this chapter. The executive director shall be responsible for managing the affairs of the Corporation and shall, in the judgment of the board, be qualified by training and experience to direct the operations of the Corporation. The executive director shall be exempt from civil service, shall serve at the pleasure of the board, and shall be compensated at the same rate as the president of the Public Utilities Commission. The executive director shall devote his or her entire time and attention to the duties of his or her office and shall not be engaged in any other profession or occupation.

8699.12. Deputy Director. Upon recommendation of the executive director, the board may appoint a deputy director who shall be exempt from civil service and shall serve at the pleasure of the board. The executive director shall supervise the activities of the deputy director. The board shall determine the compensation of the deputy director.

8699.13. Appropriation; Disclosure in State Budget; Hearings.

(a) The Department of Finance, in preparing the state budget and the Budget Bill submitted to the Legislature, shall include an item for the support of the Corporation of California, which item shall include all of the following: (1) all net proceeds of penalties collected pursuant to the provisions of Division 22.5 of the Health and Safety Code, except as otherwise provided in Section 31040 thereof; (2) all proceeds from the sale of bonds issued pursuant to Article 3 of this chapter;