JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

March 10, 2017

Fellow Californians:

It has been a year since I outlined an ambitious agenda for modernizing public finance so that Californians can have access to affordable capital to fight pollution, grow middle-class jobs, and build safer, stronger communities.

In a document entitled "Building California's Future Begins Today," I also detailed how California should approach the herculean tasks of:

- ✓ Fixing its crumbling roads, bridges, dams, and other critical public infrastructure.
- ✓ Opening up life improving opportunities for Californians with disabilities.
- ✓ Empowering everyday citizens to track how their elected officials are using debt and spending taxpayer funds.
- ✓ Helping 7.5 million Californians who have no workplace-sponsored pension plan save for a dignified retirement.
- ✓ Combating the Golden State's reputation for being business-unfriendly.

Today, I am re-releasing the report, along with a status report detailing what has been accomplished during the twelve months since its February 2016 release and what is still on the "to do" list.

Our goal, as always, is to operate the State Treasurer's Office in an efficient, innovative and transparent manner that enriches lives and provides opportunities for all Californians.

That said; consider this a retrospective that holds me accountable for performing to the goals I have set for the Office of State Treasurer.

Overall, we made great progress in a short period of time, either crossing or nearing the finish line on 14 of the 16 objectives in our original blueprint. Among those accomplishments:

- We cut red tape that slowed the development of affordable housing, spurring an 80% jump in construction of new or rehabbed units from 2014 through 2016.

915 Capitol Mall, Suite 110, Sacramento, CA 95814 • P.O. Box 942809, Sacramento, CA 95814 • (916) 653-2995 • Fax: (916) 653-3125
300 S. Spring Street, Suite 8500, Los Angeles, CA 90013 • (213) 620-4467 • Fax: (213) 620-6309
www.treasurer.ca.gov

- We successfully sponsored legislation to give taxpayers greater information about state and local government borrowing and spending.
- We helped shepherd a bill into law that authorized the Secure Choice Retirement Savings Program, hailed as the most significant development of its kind since passage of the Social Security Act in 1935.
- We improved government transparency and fostered economic development by putting online two new websites – DebtWatch and the California Business Incentives Gateway.
- We made it possible for people with disabilities to save money without endangering their access to vital social safety net programs.
- We launched an innovative new financing program aimed at removing thousands of fossil-fuel burning cars from our roadways.

But there is still much left to do.

California prides itself in being a leader in technological and green innovation, a behemoth in trade and commerce, and an unwavering champion for diversity and equality.

But that does not mean California is free of flaws . . . some of them deep and seemingly intractable. Rather than resign ourselves to accept them as too big or divisive to remedy, we must muster the will to modernize government so that it can more effectively meet the needs of its constituents. The original 2016 document was designed to challenge my staff and me to re-imagine the status quo of how government operates and approaches problems. I will continue to update you on the status of these efforts, as well as issue a broader blueprint for modernizing California government in the near future.

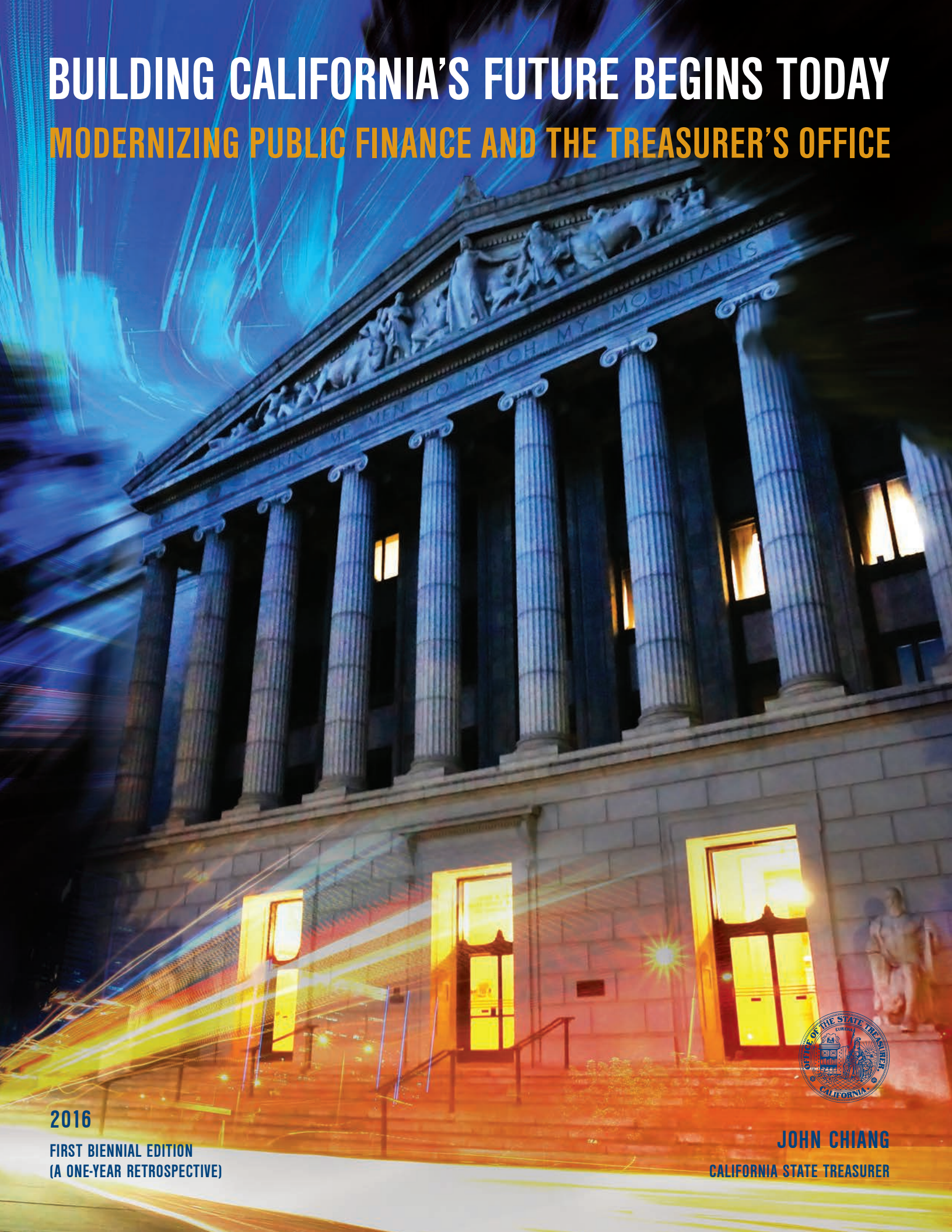
I encourage you to read through my 2016 biennial report to learn more about how the Treasurer's Office is working daily to make California an even greater place to live, work, and pursue dreams.

Sincerely,

JOHN CHIANG
California State Treasurer

BUILDING CALIFORNIA'S FUTURE BEGINS TODAY

MODERNIZING PUBLIC FINANCE AND THE TREASURER'S OFFICE



2016

FIRST BIENNIAL EDITION
(A ONE-YEAR RETROSPECTIVE)

JOHN CHIANG
CALIFORNIA STATE TREASURER

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JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

February 9, 2016

Fellow Californians:

If California is to remain competitive, it needs a detailed plan to deal with its crumbling roads, bridges and other infrastructure.

At the same time, we need to push for more government transparency and encourage 21st Century economic development, two of my major priorities at the start of my second year as California state treasurer.

But, effective infrastructure replacement plans require a thoughtful analysis of the situation. That is a missing ingredient in California's case. An adequate plan starts with a full inventory of the state's assets, a supportable measurement of the remaining useful life of those assets, and a reasonable estimate of their replacement costs.

The Golden State must move quickly to make significant financial commitment to upgrade our roads and highways. Inaction would be costly. Potholes and rough pavement make driving dangerous and cost the average California motorist $762 in annual auto repairs.

The price tag is even heftier – more than $1,000 a year – in metropolitan Los Angeles and the San Francisco Bay Area, according to a July report by TRIP, a Washington, D.C. safe highways advocate.

But roads and highways are just part of California's burgeoning infrastructure needs. With every month of inaction, the bill escalates to fix or replace bridges, government buildings, schools, hospitals, waterworks and other facilities vital to our economy.

At least $850 billion worth of new public works must be built in coming years, warns California Forward, a nonpartisan think-tank. Finding that kind of money is an enormous challenge.

That is why I have come up with a necessary first step in a plan for rebuilding California's public works. The details are contained in my first state treasurer's biennial report, entitled "Building California's Future Begins Today."

Here is an outline of my three-step approach to reinvesting in our state.

- First, perform a statewide inventory of California's growing infrastructure deficit.
- Then, figure out the best way to pay for construction, using a combination of innovative public and private investments.
- Lastly, create a reserve fund to tap excess tax revenues when the state's economy performs exceptionally well.

Now is a particularly good time to share these ideas with lawmakers, who are currently in a special session on infrastructure called last summer by the governor. I am urging legislators to think creatively

about how to inventory and pay for nearly a trillion dollars in new transportation links, hospitals, schools and water projects.

I am reminded of a wise man who once said that the best way to get out of a hole is to "stop digging." This is my effort to stop and to keep our state at the forefront of global progress.

Improving infrastructure is a massive task that we share with the Legislature, the executive department, local governments, business, labor unions and others.

But that is only part of the job that my colleagues and I at the treasurer's office have committed to undertake in 2016.

My biennial report spells out an ambitious agenda. We plan to strengthen our oversight of California's financial ecosystem by seeking legislation to make state and local government officials more accountable for how proceeds from the sale of municipal bonds are tracked and spent.

We have launched a website called DebtWatch to give the public, the press and government watchdogs access to information about $1.5 trillion in public debt issued over the last three decades. Other efforts include providing financial training for elected and appointed officials and dispatching teams of experts to help financially troubled local agencies avoid pitfalls that could lead to bankruptcy.

The treasurer's office is also moving on the economic development front. My report calls for tapping billions of dollars in capital available from about a dozen boards, commissions and authorities I chair. The resources would fund a variety of transformational investments, such as boosting energy efficiency in commercial buildings, installing electric vehicle charging stations, helping small businesses to comply with the Americans with Disabilities Act and modernizing the way local governments can manage how they invest in a $20 billion-plus fund I manage as the state's banker.

All in all, 2016 is shaping up as an exciting year for us at the state treasurer's office. We are happy to be able to share our plans with you. For more information, please go to **www.treasurer.ca.gov**.

JOHN CHIANG
California State Treasurer

A LONG-TERM APPROACH TO A LONG-TERM LIABILITY

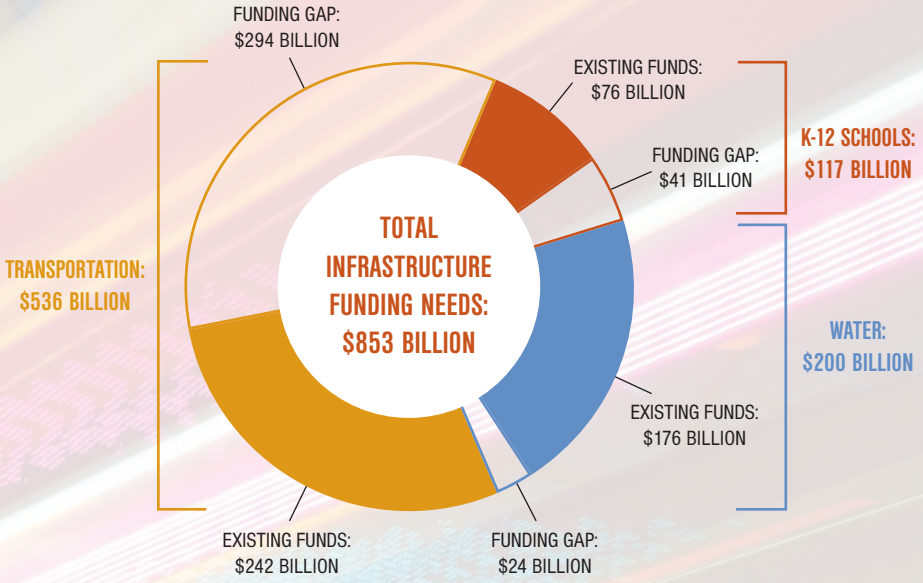
California is an economic behemoth. It generates $2.3 trillion in goods and services annually and employs nearly 11 percent of the nation's civilian workforce. By almost any measure, the Golden State is home to the United States' most powerful and diverse state economy.

Yet, ironically, we are burdened by one of the lowest municipal bond credit ratings of all 50 states. Three principal ratings agencies give lower marks to only two other states, New Jersey and Illinois. In addition to our revenue volatility, rating agencies point to a lack of an adequate mid-year process for fine-tuning our budget proposal and a perceived need for better management of our long-term liabilities. I have been diligent in focusing on these liabilities, including California's $74 billion in unfunded retiree health care benefits. I proposed, and strongly support, a plan to pre-pay those benefits. This is part of a financial solution to a long-term problem.

But, there is an even larger long-term liability facing Californians: the cost of repairing and replacing our fast-deteriorating roads, bridges, seaports, government buildings and other publicly owned assets. This critical infrastructure supports our place in a global economy—and that benefits all Californians. Dealing with this challenge requires a new mindset to long-term planning and a new approach to decision making.

In 2015, California Forward, a private sector think-tank focusing on California's future, estimated that the state needs to invest $853 billion in water, transportation and K-12 schools infrastructure improvements over the next ten years. Further, they estimate that California's resources over the coming decade will fall far short and leave us a $358 billion funding gap. The American Society of Civil Engineers in 2012 found that 34 percent of California's roads are in poor condition, and more than 2,700 bridges are structurally deficient.

CALIFORNIA INFRASTRUCTURE NEEDS AND FUNDING GAPS



FINANCING THE FUTURE, CALIFORNIA FORWARD, 2015

Infrastructure, said the National League of Cities, is one of the top three problems that most constrain municipal budgets. The League estimated a $3 trillion backlog nationwide. Failure to fix this problem could be costly, if not catastrophic, for all levels of government and could threaten our economy's ability to create jobs, investment capital and quality of life.

As treasurer, and previously as controller, I have seen state and local governments struggle under the financial burdens of long-term liabilities because they were-unwilling or unable to come up with strategic plans that are sustainable. In recent years, the state has made some progress in dealing with unfunded retiree health care and now it is time to do the same with our infrastructure deficiencies.

The Legislature took up the infrastructure issue in a 2015 special session on transportation. While it considered several thoughtful plans, no concrete action has been taken.

I congratulate the governor on making a down payment on this issue by proposing to use as much as $1.5 billion of "one-time" revenues to attack our deferred maintenance. My proposal builds on that step and is intended to encourage the state's leaders to talk about about what bold steps we need to take to rebuild our state. Let us begin by conducting an annual and comprehensive assessment of state infrastructure needs, launching an infrastructure finance center of excellence and creating a reserve fund to pay for new and rehabilitated facilities.

INFRASTRUCTURE ASSESSMENT

COMING SOON

PROBLEM:

Many of our roads, bridges, public buildings, parks and other essential infrastructure are badly deteriorating. Potholes and rough pavement damage cars, cause accidents and make already long and exhausting commutes miserable. Bridges on major freeways suddenly collapse in flash floods, choking off commerce and threatening lives. Parks are run down. Some state buildings have yet to be retrofitted to remove carcinogenic asbestos and increase energy efficiency.

California has no overarching plan to address and pay for this critical reinvestment in the assets it already owns. In fact, there is not even an agreed-upon method to determine what is needed.

Currently, there is no central inventory of existing infrastructure assets that provides the data necessary to systematically and consistently assess and quantify what work must be done. Without clear sightlines on how we preserve and replace the infrastructure assets that support our economy, we will not be able to make the tough choices for future growth.

SOLUTION:

I believe the first step toward fixing our deteriorating assets is to precisely and thoroughly define the problem. I propose a detailed inventory, and a thorough and systematic assessment of California's capital assets.

The infrastructure inventory would list the condition of the structure, an estimate of when it might wear out, what it would cost to replace it, and the cost of deferred maintenance to optimize its useful remaining life.

This problem is enormous and has to be addressed, but only if we have a long-term commitment and vision. Preparing plans for taking action and finding a way to pay for it will help reduce the risk of letting our precious assets fall into total disrepair. Knowing exactly what we need will make it easier to borrow money at a low interest rate. First-class schools, libraries, universities, parks, transportation and mass transit are keys to achieving a strategic goal of making California a highly desirable place to live, work, innovate and prosper.

Think of it this way. A homeowner, faced with a limited budget and the prospect of replacing an old water heater, may conclude that water heater replacement is the immediate priority. But what if the owner does not know that his house has termites that pose an even greater danger to the structure? Would it not be good to have a broad view of all deficiencies before making spending decisions? A thorough review of all of the infrastructure shortfalls would allow the homeowner to set priorities and make reasonable, measured plans for repairs and ultimate replacement. Such a thoughtful approach helps the homeowner avoid surprises and make better plans for the future.

Such a statewide assessment would not be just another study. Nor would it mask required reinvestment needs with a wish list of things we might want in the future. It would serve as a guide to better manage our future, thoughtfully establish a priority list, and avoid blind approval of more debt for new projects when we might be better off fixing what we already own. With a clear understanding of what needs to be fixed, repaired, or upgraded, we can better use our borrowing capacity. At the same time, our lenders would recognize that we are in control of our infrastructure priorities and not bouncing from crisis to crisis.

THE INFRASTRUCTURE INVENTORY WOULD LIST:

1. THE CONDITION OF THE STRUCTURE
2. AN ESTIMATE OF WHEN IT MIGHT WEAR OUT
3. WHAT IT WOULD COST TO REPLACE IT
4. THE COST OF DEFERRED MAINTENANCE

CENTER OF EXCELLENCE FOR INFRASTRUCTURE FINANCE

COMING SOON

PROBLEM:

The state faces a significant challenge finding enough money to replace, repair and expand public facilities, even though doing so is essential for social welfare and a growing economy.

Presently, the state already has more than $85 billion of debt repayable from its general fund resources. There is a need, now more than ever before, to close a growing gap between need and capacity to finance infrastructure. We need to think differently. We must begin to view the problem as one that requires judicious and deliberate matching of needs with available capital. The problem requires a strategic realignment of our approach to capital finance. The decision to use existing and future debt capacity wisely is key to improving government's efficiency.

SOLUTION:

I propose that the state must take the lead in sourcing and matching public projects with capital by adopting a center of excellence model of project sourcing, analysis and finance. The center will lead us in a transition from traditional finance methods that have failed to fill the gap. The center would work by:

1. Acting as a single point of contact to channel communication to and from public agencies and the marketplace.
2. Pooling projects through standardization and aggregation. It would develop criteria to evaluate projects, and certify and rank them according to these standards. The center will also support the advancement of projects by offering specific expertise, including engineering, environmental review, financial, legal, land-use and budgeting to shepherd the proposals to completion.
3. Packaging projects and developing finance plans that draw on a variety of capital sources, such as bond financing, loans, leases and public-private partnerships.

This model has been used successfully by Partnerships BC to support infrastructure finance in British Columbia, Canada.

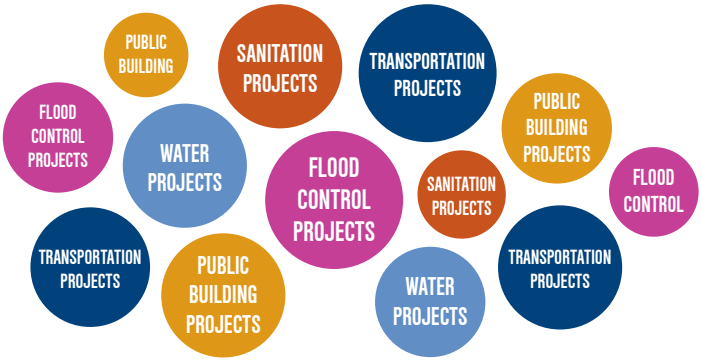
California can learn much from our Canadian neighbor's experience.

This proposal revolutionizes the state's approach to financing infrastructure. By developing standards and expertise, it recognizes that public agencies have historically failed in their efforts to identify, parse, and measure project risk. The center of excellence will help the state expand financing options. It will bring new capital with lower costs and economies of scale that would lessen the need for going into debt by selling more bonds.

The center shifts to a financing model that includes private development that matches the "right" financing approach to the "right" assets.

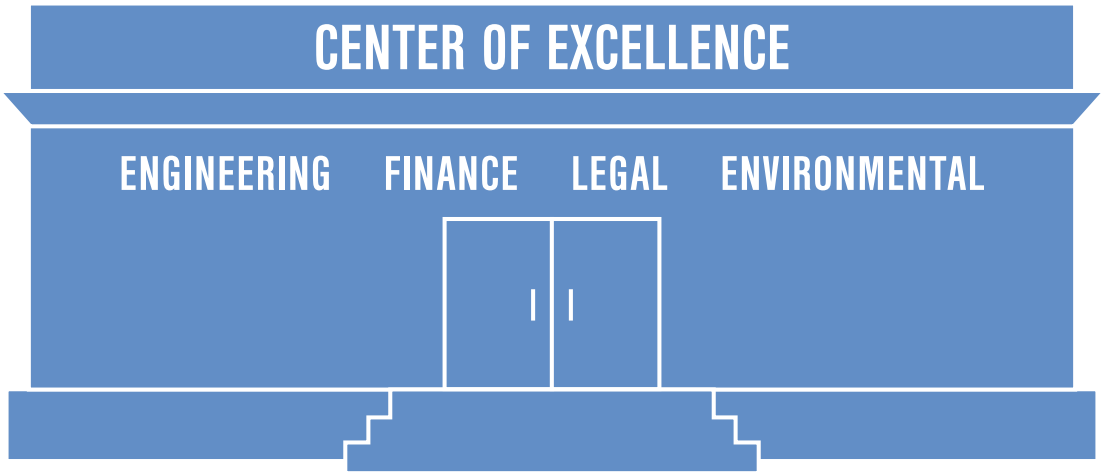
In addition to centralizing communications and contributing to standardization and project analysis, the center of excellence will recommend investment of state funds through an infrastructure reserve fund or debt financing. It will then recommend ways to reinvest revenues received from initial investments back into the infrastructure program, thereby growing available funds for future project financing.

The first step toward bringing the concept of the center of excellence to realization must be a comprehensive analysis of the legal and budgetary authority needed to provide a sufficient and sustainable resource for public infrastructure finance in California. My role as the state treasurer is to provide expertise in project finance and access to the capital markets. I look forward to partnering with others to explore this concept.

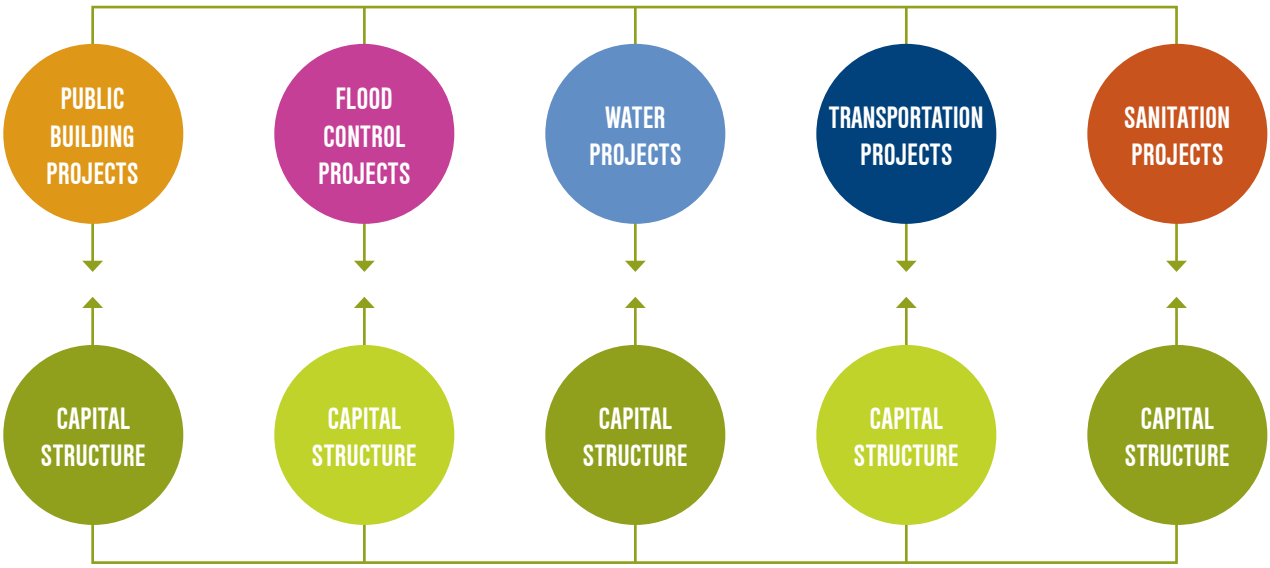


PUBLIC AGENCY PROJECTS

THE MARKETPLACE



STANDARDIZATION AND AGGREGATION



PLAN OF FINANCE

INFRASTRUCTURE REPLACEMENT RESERVE

COMING SOON

PROBLEM:

An assessment of the state's infrastructure is only a beginning. We also must find a way to pay for high-priority repairs and deferred maintenance. The assessment would help us better utilize our limited debt resources. However, we cannot borrow our way out of this infrastructure chasm. The issuance of debt can be seen as a Trojan horse carrying with it transaction and interest costs that require repayment of two to three times, or more, what was actually borrowed. These costs are expected to grow as the debt markets emerge from the sustained period of historically low interest rates. As rates increase, more of every infrastructure dollar will be used to pay interest, leaving less for the concrete, steel, equipment, and labor.

SOLUTION:

I propose that we rethink our reliance on bond debt to fund infrastructure, and develop a clear practice of paying for a substantial portion of our capital projects with cash currently available, rather than with borrowed funds. For example, by simply adopting a practice of developing our annual budgets around the most conservative revenue estimate available, we can painlessly set aside any funds realized in excess of the conservative revenue estimate. Since it is distinctly possible that revenues that "surprise us on the upside" may be a result of one-time events, it seems reasonable to dedicate a portion of those one-time revenues to replacement of infrastructure. My proposal would use one-half of the upside surprise revenues to fund deferred maintenance and replacement of our existing public works. The remaining portion would be available for other government spending. Of course, this plan would have to account for already required financial support for public schools and deposits to a rainy day fund approved by voters in 2014.

Most importantly, such a funding mechanism should be focused on the cost of replacing, repairing, or restoring the component parts of the state's capital assets to their original functional condition. Improvements to existing assets are usually best paid for out of current revenues.

I PROPOSE THAT WE RETHINK OUR RELIANCE ON BOND DEBT TO FUND INFRASTRUCTURE, AND DEVELOP A CLEAR PRACTICE OF PAYING FOR A SUBSTANTIAL PORTION OF OUR CAPITAL PROJECTS WITH CASH CURRENTLY AVAILABLE, RATHER THAN WITH BORROWED FUNDS.

PAY-AS-YOU-GO INFRASTRUCTURE FINANCING IN OTHER STATES:

In spring 2014, 22 states reported that they had either formal policies or informal practices to pay cash for infrastructure projects, also known as "pay-as-you-go" project financing. Several states, including Alaska, Iowa, Missouri, Nebraska and North Dakota, strongly prefer pay-as-you-go financing to pay for capital projects. One state, West Virginia, designates a portion of its lottery receipts for pay-as-you-go financing for capital projects or for schools. Other states, such as Oregon and Michigan, pay for specific parts of their capital improvement plans with cash.

INFRASTRUCTURE

COMING SOON

CURRENT STATUS:

State Treasurer John Chiang is working with the Stanford Global Projects Center on an initiative to inventory state infrastructure needs and develop a priority list for financing projects over time. The goal of the Treasurer's initiative is to create an inventory of across sectors to optimize financing for maintenance and new construction.

Once an inventory list is completed, the Treasurer plans to create a Center of Excellence for Infrastructure Finance to look at new ways to manage procurements and to pool or aggregate smaller projects to make them easier to fund economically.

While both initiatives are new to California, there is precedent for each globally and in the United States. Recently, several agencies have been created nationally that replicate those results. Concurrent with the above project will be a study of national and international efforts to address this issue.

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STATE AND LOCAL PARTNERSHIPS TO PROMOTE STEWARDSHIP OF CALIFORNIA'S FISCAL ECOSYSTEM

In late 2010, municipal analyst Meredith Whitney warned on a nationally televised program of the likelihood that 50 to 100 "sizeable" governments could default on loans amounting to "hundreds of billions of dollars..." Thankfully, this never came true. But we need to remain vigilant because too many of our local governments continue to remain weak in the wake of the Great Recession. Broadly experienced financial distress, defaults, and municipal bankruptcies are very fresh memories for Californians. It can be devastating both in terms of lost capital and breakdowns in basic government services, such as police, fire, health care, and sanitation. Municipal insolvency can ruin citizens' lives, destroy jobs and wipe out retirement security. Residents' health and safety are at risk.

For better or worse, state and local agencies interact directly and indirectly in a single financial ecosystem. A breakdown in the fiscal condition of any part of the ecosystem can imperil the whole. Understanding that the fortunes of all levels of California government are intertwined, I have come up with four initiatives to help local agencies stay solvent so they can efficiently do the people's business. These programs will increase accountability for state and local bond proceeds, provide more access to information about debt issues, train local officials to make better decisions about the pros and cons of taking on debt, and deliver actionable technical assistance to agencies facing dire financial circumstances.

TASK FORCE ON BOND ACCOUNTABILITY

✓ ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

On December 12, 2015, a former director of financial services at a Bay Area planning organization pleaded guilty in federal court to embezzling $3.9 million in bond funds that were intended for projects in San Francisco and Contra Costa counties. His admission came more than 12 months after a routine audit discovered funds missing from a pool of money containing proceeds of bond sales and developer fees intended to improve San Francisco neighborhoods.

This case raised questions about how public agencies, acting in the interests of taxpayers, ensure that bond funds are used for lawful and intended purposes. While public agencies are required to conform to standards with respect to financial management, specifically accounting and recordkeeping, there are no standards or commonly accepted best practices for the management and administration of bond funds. The absence of guidelines creates a vacuum of knowledge needed to oversee how bond proceeds are spent.

SOLUTION:

To fill this knowledge void, I convened the Task Force on Bond Accountability, a panel of public finance professionals charged with proposing new safeguards against theft and misuse of bond funds. On December 14, 2015, the Task Force submitted its final report. It contained 17 best practice guidelines and the acknowledgement that there is more work to be done to help public agencies better manage bond funds. The recommendations included programs to educate elected officials and managers on the guidelines, and the need for more openness about how bond funds are used.

> "IT IS NOT UNCOMMON TO FIND THAT CLAIMS FOR TRAVEL REIMBURSEMENT ARE SUBJECTED TO A GREATER LEVEL OF REVIEW THAN A REQUEST FOR A DRAW ON BOND FUNDS AND YET BOTH REPRESENT THE EXPENDITURE OF PUBLIC FUNDS."
>
> TASK FORCE ON BOND ACCOUNTABILITY, STAFF REPORT, SEPTEMBER 2015

I have taken immediate action to continue the work of the Task Force by charging the California Debt and Investment Advisory Commission with the task of introducing the best practices guidelines into the California Debt Issuance Primer, a desktop reference manual for public finance and elected officials in California.

I am uncertain, however, that voluntary compliance with best practices offers enough protection against willful acts of fraud or mismanagement. Because most smaller governments are infrequent issuers of debt and less experienced, up-to-date information on best practices for the protection of bond proceeds may be lacking in their processes, no matter how well intentioned they might be. I am concerned that agencies most susceptible to such threats will not take the recommended steps to develop and administer internal controls that provide a reasonable assurance that bond funds are being used for legal and intended purposes. I will work with the Legislature to consider ways to compel public agencies to improve their practices, such as:

- Annual reporting of outstanding debt, including uses of proceeds and bond fund balances.
- Establishment of policies to specify bond purposes and performance measures.
- Creation of compliance checklists to ensure adequate internal controls.
- Certification from top local officials that required internal controls, oversight and compliance mechanisms are in place and fully functioning.

APPLICATION OF THE TASK FORCE'S BEST PRACTICE GUIDELINES WILL GENERATE MANY POSITIVE PUBLIC BENEFITS:

1. **Require efficient management of resources**
2. **Eliminate the possibility of fraud and misuse**
3. **Ensure consistency and transferability of practices**
4. **Enable accountability and compliance review**
5. **Empower fiduciaries to perform their duties**
6. **Provide transparency and public involvement**

TASK FORCE ON BOND ACCOUNTABILITY

✓ ACCOMPLISHED

CURRENT STATUS:

The Task Force on Bond Accountability was established by Treasurer John Chiang in February 2015 to increase transparency and ensure that monies raised through the sale of government bonds are safe from fraud, abuse and mismanagement. On December 14, 2015, the Task Force submitted its final report. It contained 17 best practice guidelines that will help ensure bond funds are appropriatley managed. These guidelines include: annual reporting of outstanding debt, creation of compliance checklists to ensure adequate internal controls, and establishment of policies to specify bond purposes and performance measures.

There were several recommendations from the report that were found so critical that Treasurer Chiang wanted to make them law and applicable for all debt issuers statewide.

SB 1029, authored by Sen. Robert Hertzberg (D-Van Nuys) was signed into law by Gov. Jerry Brown on Sept. 12, 2016. The bill mandates tracking of government borrowing and spending of proceeds until bonds are paid off or redeemed.

MORE INFO: (CLICK TO READ)

NEWS RELEASE:
Governor Signs Treasurer's Bond Accountability Bill

REPORT:
Final Task Force on Bond Accountability Report

NEWS CLIPPING:
Stop Taxpayer Bond Fund Ripoffs, Pass Oversight Bill

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DEBTWATCH

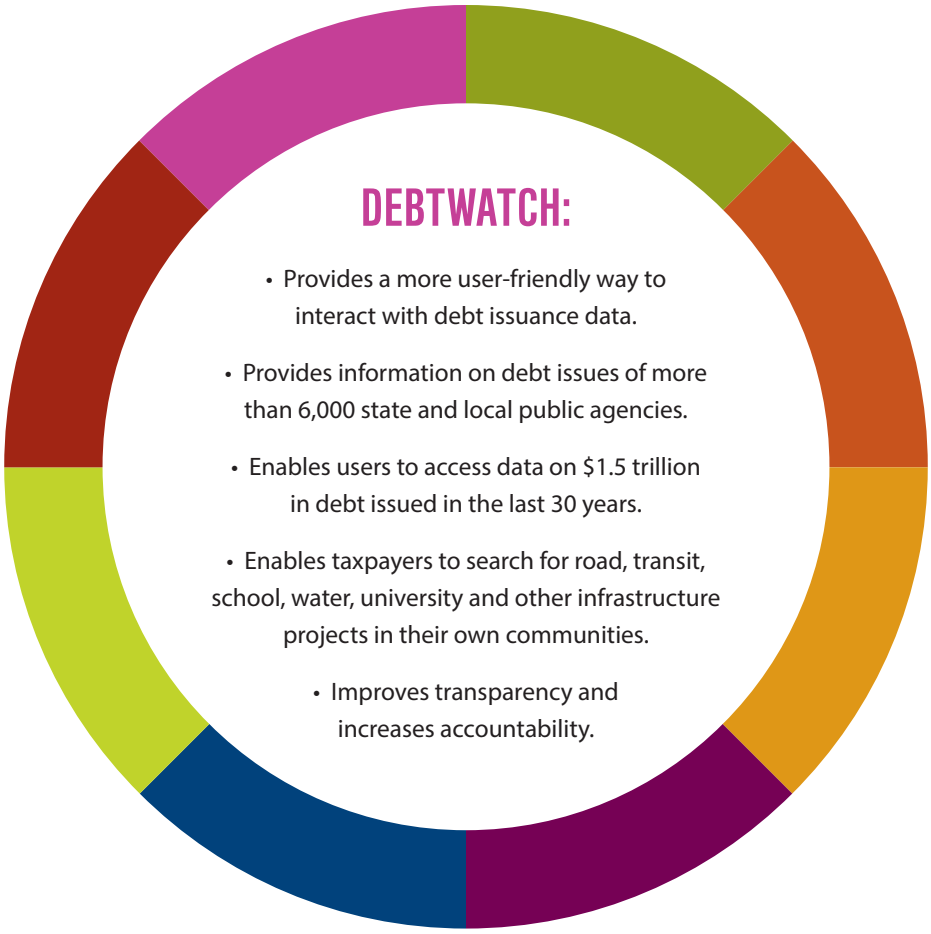
ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

The scandalous actions of a few officials in the well-known City of Bell case or the more recent Association of Bay Area Governments example do not represent the great work done day in and day out by hundreds of elected and appointed officials serving the public with responsible debt issuance and management practices. Unfortunately, the actions of a few bad actors draw the ire of regulators and municipal markets. The result is increased cost, public cynicism, and mistrust that damages our ability to effectively finance the very infrastructure California desperately needs.

California's state and local agencies have issued $1.5 trillion in debt in the last 30 years, the overwhelming majority of which was used to finance and refinance the road, transit, school, water, university and other infrastructure projects that have made California an extraordinary economic machine. But, there are numerous examples of debt issued in an irresponsible manner for imprudent uses that run counter to voter and taxpayer intent. Detecting these problems before they become a crisis is beyond the auditing capacity of the state. Citizen oversight and surveillance in the communities where the billions are spent is essential.

> "AS LOCAL AGENCIES USE LONG-TERM BORROWING TO INVEST IN THEIR LOCAL ECONOMIES, ONLY LIMITED INFORMATION ON THE AMOUNT OF SUCH BORROWING IS EASILY ACCESSIBLE."
>
> JIM MAYER, CEO AND PRESIDENT OF CALIFORNIA FORWARD



DEBTWATCH.TREASURER.CA.GOV: A POWERFUL WAY OF EXPLORING DEBT IN CALIFORNIA

SOLUTION:

Good government and informed citizens go together. When citizens have key information, they can hold government accountable, and in the end it makes our society better. When I served as state controller I launched an internet site to give the public easy-to-find information about government salaries, revenues and a range of other financial data. Now that I am treasurer, I have continued my campaign to improve transparency and increase accountability through the launch of a website called "DebtWatch."

DebtWatch gives citizens, the financial community, the media and others extensive information on the debt issues of California's 4,200 units of local government, including cities, counties, school districts, public universities and special service districts as well as the state itself. Users will be able to peer into the debt issuance of public agencies and interact with the data that has long been difficult to get because it was tucked away in arcane publications that, frankly, few laymen could understand. Now the public is equipped with a valuable tool to know how much money was raised and for what purposes, and determine independently if debt was used properly.

I am determined to do everything I can to help prevent another California municipal finance scandal. By putting data in the hands of taxpayers, we create an alliance of millions with a vested interest in the proper use of debt as a municipal finance tool critical to the economic well being of all California.

DEBTWATCH

✓ ACCOMPLISHED

CURRENT STATUS:

DebtWatch, Treasurer John Chiang's open data website that tracks $1.5 trillion in state debt, was launched in November 2015. It allows users to track 30 years' worth of issued debt, cost of issuance, and bond tax election results that are submitted to the Treasurer's Office.

DebtWatch was named "Best Application Serving the Public" at the 2016 California Technology Forum.

Thanks to SB 1029, DebtWatch will be enhanced in 2018 to show how much agencies still owe on the bonds they have issued.

MORE INFO: (CLICK TO READ / WATCH)

WEBSITE:
Visit DebtWatch: A Powerful Way of Exploring Debt in California

NEWS RELEASE:
Treasurer's DebtWatch Open Data Website Wins Best of California Technology Award

NEWS RELEASE:
Treasurer Unveils Open Data Website Detailing $1.5 Trillion in Government Debt

NEWS CLIPPING:
California Launches Debt Data Website

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TRAINING ELECTED & APPOINTED OFFICIALS

PILOT PROGRAM COMING SUMMER 2017

PROBLEM:

Elected and appointed public officials must make important decisions about the use of public resources. Some of these decisions obligate the public agency to long-term financial commitments, encumbering both fiscal and program resources. These decisions are made in a zero-sum environment where commitment of resources to one effort reduces available resource that may be needed for other efforts. In order to maximize the investment of public resources and sustain the public's trust, elected and appointed leaders must make decisions informed by sound fiscal and financial principles. Quite often, however, they are called upon to set policies and make decisions without the required knowledge or experience and become overly reliant upon external advisors who may have conflicts or advise actions that run contrary to the interest of the citizenry. This problem is bound to become more acute as the wave of older, more experienced public servants in the financial sector retires.

SOLUTION:

To support the thoughtful, sound fiscal analysis of programs and policies committing public resources, my office, in partnership with the University of California, will develop and administer training certification for elected and appointed officials in the issuance and administration of debt and the investment of public funds.

The development of the curriculum and training program delivery system will leverage the world-class educational expertise of the University of California and rise from collaborative efforts of state and local organizations, including the League of California Cities, the California Society of Municipal Finance Officers, the California State Association of Counties, the California Special Districts Association, the California Municipal Treasurer's Association and the California Association of County Treasurers and Tax Collectors.

Since the 1980s, debt issuance and administration and the investment of public funds have been the subjects of training provided to public officials by the California Debt and Investment Advisory Commission, which I oversee as chairman. Given the experience of my commission, the partnership of the University of California, and the support of our local allied organizations, I am confident that these training programs will become the industry standard for all public officials.

> "I'M NOT A FINANCE PERSON. I DIDN'T GRASP ALL THOSE PARTICULARS. I'M NOT THAT SOPHISTICATED ABOUT THESE THINGS TO KNOW WHETHER IT'S GOOD OR BAD."

A CALIFORNIA SCHOOL DISTRICT SUPERINTENDENT AFTER THE DISTRICT APPROVED A SUBSTANTIAL BOND ISSUANCE IN 2011

OFFICE OF THE STATE TREASURER · CALIFORNIA + CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION + THE UNIVERSITY OF CALIFORNIA · 1868 = PUBLIC FINANCE

TRAINING ELECTED & APPOINTED OFFICIALS

PILOT PROGRAM
COMING SUMMER 2017

CURRENT STATUS:

The Treasurer's Office is in the process of producing a fully functional 5- to 10-minute on-demand training module that incorporates a learning management technology. The demonstration project is expected to be completed by mid-summer 2017.

The module will be the first in a series of eight to 10 stand-alone videos, and will be designed to answer the question: "What do you need to know before issuing debt?"

Subsequent modules will be proposed to deal with capital planning, the risks of using debt, compensation of consultants and professionals, understanding the cost of borrowing, and other relevant topics.

The full series of videos is projected to be completed by late 2018 or early 2019.

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FISCAL RED TEAMS

PROBLEM:

Despite the improved fiscal health of California's municipalities spurred by recent growth in the California economy, many of the same stubborn financial obstacles that caused so much financial stress during the recession could reappear. High per capita debt, weak liquidity, and local government obligations to retirees have swelled since the recession. California was recently identified by the National Resource Network as being home to more than its proportionate share of the nation's "economically challenged" cities. Debt defaults and local agency bankruptcies, although not always made by large cities grabbing the headlines, have persisted even with a rising economic tide.

Most citizens interact with their governments at the local level where financial stress is especially disruptive. Local agencies need help from experts to identify financial problems and formulate solutions before conditions reach a crisis stage and they are forced to cut vital local services. Perhaps most importantly, such help must be free of any hidden agendas.

SOLUTION:

We need to respond quickly to local financial trouble by sending in "Red Teams," squads of accountants, auditors, lawyers, and financial managers with deep experience in local agency finances. The team would respond with expertise and initiative to provide solutions to problems that threaten the ability of the agency to meet its financial obligations or to maintain service levels.

My proposal would establish a framework for the evaluation of the financial information already provided to the state by local agencies and a system of outreach to the agencies whose financial plight merits a "Red Team" deployment. With agreement and invitation from the local agency's legislative body or chief executive, the team would engage the local agency's management in a process that results in a financial recovery plan, tailored to the circumstances of the agency's situation. A successful intervention would fix the client's problem and avoid a costly default or devastating legal bankruptcy.

FISCAL STRESS

IN THE LAST 15 YEARS, 24 CALIFORNIA MUNICIPAL ENTITIES, LARGE AND SMALL, HAVE FILED CHAPTER 9.

US BANKRUPTCY COURTS

SINCE JULY 2009, 11 CALIFORNIA ISSUERS DEFAULTED ON THE DEBT SERVICE OF 19 BOND ISSUES WITH A VALUE OF ALMOST 1/2 OF A BILLION DOLLARS.

ELECTRONIC MUNICIPAL MARKET ACCESS

FROM 2005 TO 2014, THE UNFUNDED LIABILITIES OF THE PENSION PLANS OF CALIFORNIA'S CITIES, COUNTIES, AND SPECIAL DISTRICTS GREW BY 230%.

STATE CONTROLLER'S OFFICE

IN THE LAST TEN YEARS, THE OUTSTANDING PER CAPITA DEBT OF CALIFORNIA'S CITIES HAS GROWN 41% TO OVER $2,200 PER CITY RESIDENT.

STATE CONTROLLER'S OFFICE

SEVENTY-SEVEN CALIFORNIA CITIES HAVE BEEN IDENTIFIED AS "ECONOMICALLY CHALLENGED," MORE THAN A QUARTER OF THE NATIONWIDE TOTAL.

HIDDEN IN PLAIN SIGHT: WHY CALIFORNIA'S ECONOMICALLY CHALLENGED CITIES MATTER, NATIONAL RESOURCE NETWORK, NOVEMBER 2015

FISCAL RED TEAM OBJECTIVES:

- OUTREACH
- RAPID RESPONSE
- CROSS-FUNCTIONAL EXPERTISE
- COLLABORATIVE PROCESS
- COMPREHENSIVE ANALYSIS
- TAILORED RECOVERY PLAN
- LEGAL COST AVOIDANCE
- SECURE VITAL SERVICES

MEETING CALIFORNIA'S CHALLENGES

California faces seemingly intractable problems that threaten its economy. From climate change to the lack of affordable housing, these challenges demand solutions. Failure will mean fewer and fewer Californians will share in the fruits of the "American Dream."

I want to meet some of these daunting challenges by tapping the brains and brawn of the Golden State's business community, public finance officials, and citizenry with targeted innovations. These tools are aimed at reducing greenhouse gas emissions, improving the financial security of Californians, accelerating development of affordable housing–including workforce housing–and modernizing investment services to local governments.

At the same time, we want to speed up the delivery of timely financial information to bondholders and give businesses a single and interactive internet gateway to the hundreds of programs and services that encourage investment and economic growth.

CALIFORNIA SECURE CHOICE

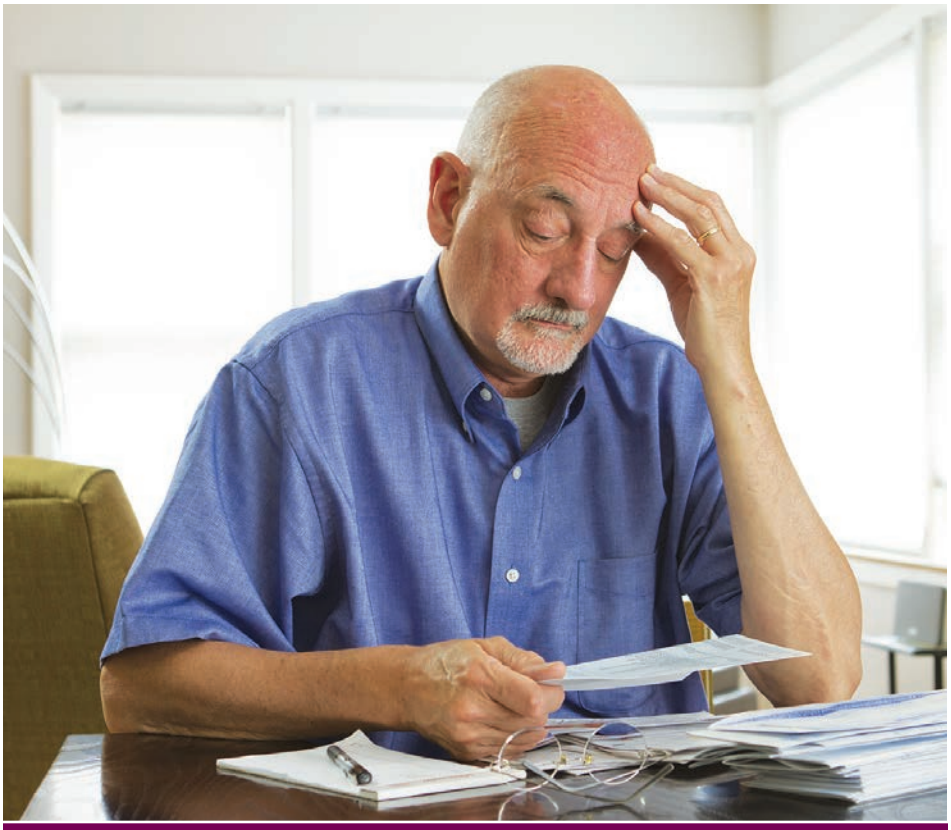
ACCOMPLISHED
CLICK HERE TO READ MORE

THE PROBLEM:

More than 75 percent of California's low and moderate income retirees rely exclusively on Social Security leading to significant economic hardship. With each generation on track to retire poorer than the last, the strain on taxpayer-funded health and human services will undermine the long-term financial stability of the state.

"THERE IS NO WAY ON GOD'S GREEN EARTH THAT I WILL BE ABLE TO LIVE IN MY HOME ON THE $750 A MONTH I WILL GET FROM SOCIAL SECURITY. I'VE SAVED A LITTLE, BUT IT WON'T HELP."

SILICON VALLEY WORKER AND RESIDENT



57% OF CURRENT RETIREES ARE WOMEN AND MAKE UP 70% OF RETIREES IN THE BOTTOM 25% OF INCOME.

UC BERKELEY, CENTER FOR LABOR RESEARCH AND EDUCATION

ABOUT HALF OF HOUSEHOLDS AGE 55 AND OLDER HAVE NO RETIREMENT SAVINGS.

US GOVERNMENT ACCOUNTABILITY OFFICE

55% OF YOUNG WORKERS AGE 25-44 HAVE PROJECTED RETIREMENT INCOMES OF 200% BELOW POVERTY; COMPARED TO 33% OF WORKERS AGED 55-64.

UC BERKELEY, CENTER FOR LABOR RESEARCH AND EDUCATION

7.5 MILLION CALIFORNIANS WORK FOR EMPLOYERS THAT DO NOT OFFER A RETIREMENT PLAN

OF THOSE:

2/3RDS WORK FOR SMALL BUSINESSES WITH LESS THAN 100 EMPLOYEES.

2/3RDS ARE WORKERS OF COLOR, ALMOST HALF OF WHICH ARE LATINOS.

AARP

THE SOLUTION:

Research indicates workers who have access to workplace retirement savings plans with automatic payroll contributions are 15 times more likely to save for retirement than those who do not. Legislation passed in 2012 envisioned an automatic enrollment retirement savings program for California workers who lack access to workplace plans. I serve as chair of the California Secure Choice Retirement Savings Investment Board which will soon make a recommendation to the Legislature with details of how the California Secure Choice Retirement Savings Program would work to ensure all California workers can save for retirement through their paychecks.

If approved by the Legislature, workers who do not have access to retirement savings plans at work would be automatically enrolled in the Secure Choice program, with an option to not participate. Savings would be contributed automatically through payroll deductions. Employers who already offer retirement savings plans and those with fewer than five employees would not be required to enroll their employees.

Secure Choice accounts would be Individual Retirement Accounts with a limited range of low risk and low cost investment options chosen by a public board.

Achieving retirement security for all is our generation's call to action. We must embrace the tremendous challenge of making sure that all Californians can enjoy a secure retirement with a modicum of comfort and freedom from cares and want when their working days are done. California Secure Choice would provide California's workers with an opportunity to work toward this goal by supplementing their Social Security earnings.

ACCESS TO WORKPLACE RETIREMENT PLANS FUNDED BY AUTOMATIC PAYROLL DEDUCTIONS MAKES PEOPLE 15 TIMES MORE LIKELY TO SAVE FOR RETIREMENT.

ACHIEVING RETIREMENT SECURITY FOR ALL IS OUR GENERATION'S CALL TO ACTION.

CALIFORNIA SECURE CHOICE

✓ ACCOMPLISHED

CURRENT STATUS:

Millions of Californians will soon have an easy way to save for a more comfortable and dignified retirement after Gov. Jerry Brown signed Senate Bill 1234 in 2016, creating the Secure Choice Retirement Savings Plan.

State Treasurer John Chiang oversaw the market studies and legal analysis driving the design of the new program. The program will offer 6.8 million Californians, who currently have no access to an employer-provided retirement savings account, a simple, portable and voluntary way to build a nest egg.

WHAT'S NEXT?

Secure Choice is expected to be fully operational by 2019. Learn more and get updates on the Secure Choice program by visiting the Treasurer's website.

MORE INFO: (CLICK TO READ)

NEWS RELEASE:
Governor Approves Secure Choice Retirement Plan

FACT SHEET:
California Secure Choice: How it Works

NEWS CLIPPING:
How California Is Pioneering a New Retirement Savings Plan

NEWS CLIPPING:
From California, a Better Way to Retire

NEWS CLIPPING:
California Just Took a Big Step Toward Ensuring Retirement Security

VIDEO:
California Secure Choice

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AFFORDABLE HOUSING INITIATIVE

ACCOMPLISHED
CLICK HERE TO READ MORE

THE PROBLEM:

Millions of Californians in all parts of the state cannot secure safe, healthy and affordable rental homes. The Golden State is short an incredible 1.5 million units, and the deficit is worsening.

Current efforts are not meeting the burgeoning demand. They produce only about 7,000 new units a year.

NUMBER OF AFFORDABLE RENTAL HOMES CURRENTLY NEEDED IN CALIFORNIA:

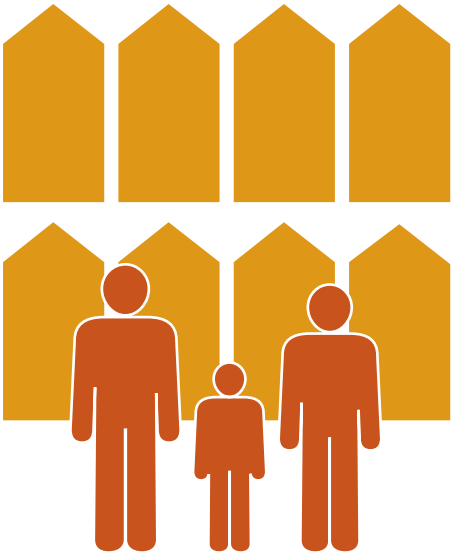
1.5 MILLION

NUMBER OF AFFORDABLE RENTAL HOMES CURRENTLY PRODUCED EACH YEAR:

7,000

"OVERCROWDING AND POOR-QUALITY HOUSING HAVE A DIRECT RELATIONSHIP TO POOR MENTAL HEALTH, DEVELOPMENTAL DELAY AND HEART DISEASE."

HOME IS WHERE THE HARM IS: INADEQUATE HOUSING AS A PUBLIC HEALTH CRISIS, THE AMERICAN JOURNAL OF PUBLIC HEALTH, 2002



"PERSISTENTLY HIGH COST OF HOUSING CONTRIBUTES TO A RELATIVELY WEAKER BUSINESS CLIMATE IN CALIFORNIA."

STANDARD & POOR'S RATINGS SERVICES, FEBRUARY 23, 2015

"THE STATE'S HIGH HOUSING COSTS MAKE CALIFORNIA A LESS ATTRACTIVE PLACE TO CALL HOME, MAKING IT MORE DIFFICULT FOR COMPANIES TO HIRE AND RETAIN QUALIFIED EMPLOYEES."

LEGISLATIVE ANALYST'S OFFICE, MARCH 17, 2015

THE SOLUTION:

Step one of my Affordable Housing Initiative seeks to spur a significant annual jump in housing production – using available federal funds and not state taxpayer dollars.

How? California can access up to $6.5 billion in available but under-utilized federal government resources. The money would help private and non-profit developers build high-quality housing with below-market rents that more people can afford.

By freeing up idle federal resources, driving down construction costs, my plan is an important step toward fixing California's housing crisis. But, it is only a beginning. Much more needs to be done.

> "THESE PROPOSALS WILL HELP US ADDRESS THE AFFORDABILITY CRISIS IN OUR STATE AND BENEFIT MANY LOWER-INCOME FAMILIES AND INDIVIDUALS."
>
> MICHAEL LANE, POLICY DIRECTOR, NON-PROFIT HOUSING ASSOCIATION OF NORTHERN CALIFORNIA

> "WITH THE IMPLEMENTATION OF HIS ADMINISTRATION'S PROPOSED REGULATORY REFORMS, OUR COMPANY CAN IMMEDIATELY PRODUCE OVER 1,000 NEW AFFORDABLE HOMES THAT OTHERWISE WOULD NOT HAVE BEEN POSSIBLE, WHILE AT THE SAME TIME GENERATING JOBS, TAXES AND ECONOMIC ACTIVITY."
>
> CALEB ROOPE, CEO, THE PACIFIC COMPANIES, TOP FIVE BUILDER OF AFFORDABLE HOUSING IN CALIFORNIA

> "THESE CHANGES CONSTITUTE THE MOST SIGNIFICANT CHANGES TO THE TAX CREDIT PROGRAM IN 15 YEARS."
>
> ALAN GREENLEE, EXECUTIVE DIRECTOR, SOUTHERN CALIFORNIA ASSOCIATION OF NON-PROFIT HOUSING

THE INITIATIVE WILL:

ACCESS MORE MONEY

Take advantage of $6.5 billion in available federal resources.

CUT RED TAPE

Eliminate bureaucracy and reduce construction costs.

PROTECT TAXPAYERS AND TENANTS

Ensure properties are well maintained for decades to come.

PRESERVE EXISTING HOUSING

Provide incentives to keep affordable housing affordable and not convert it to costly market-rate rentals.

AFFORDABLE HOUSING INITIATIVE

✓ ACCOMPLISHED

CURRENT STATUS:

Two state commissions chaired by State Treasurer John Chiang approved regulations making it easier to tap up to $6.5 billion in previously underutilized, federal government resources. These additional monies, coupled with major regulatory reform, aim to put a dent in the Golden State's 1.5 million-unit deficit of affordable housing stock.

The rules provide a variety of financial incentives that cut red tape and construction costs and protect taxpayers and tenants by ensuring that properties remain well maintained and affordable for decades to come.

The Treasurer's reforms resulted in an 80% increase in housing production in 2015 and 2016, a new record for California.

WHAT'S NEXT:

An announcement is coming soon from Treasurer John Chiang that will help spur an even greater production of affordable housing in California. Stay tuned!

MORE INFO: (CLICK TO READ / WATCH)

FACT SHEET:
Treasurer John Chiang's Affordable Housing Initiatives Explained

VIDEO:
Treasurer Tackles California's Affordable Housing Crisis

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COMMERCIAL ENERGY EFFICIENCY FINANCING

BUDGET PROPOSAL FAILED IN 2016

PROBLEM:

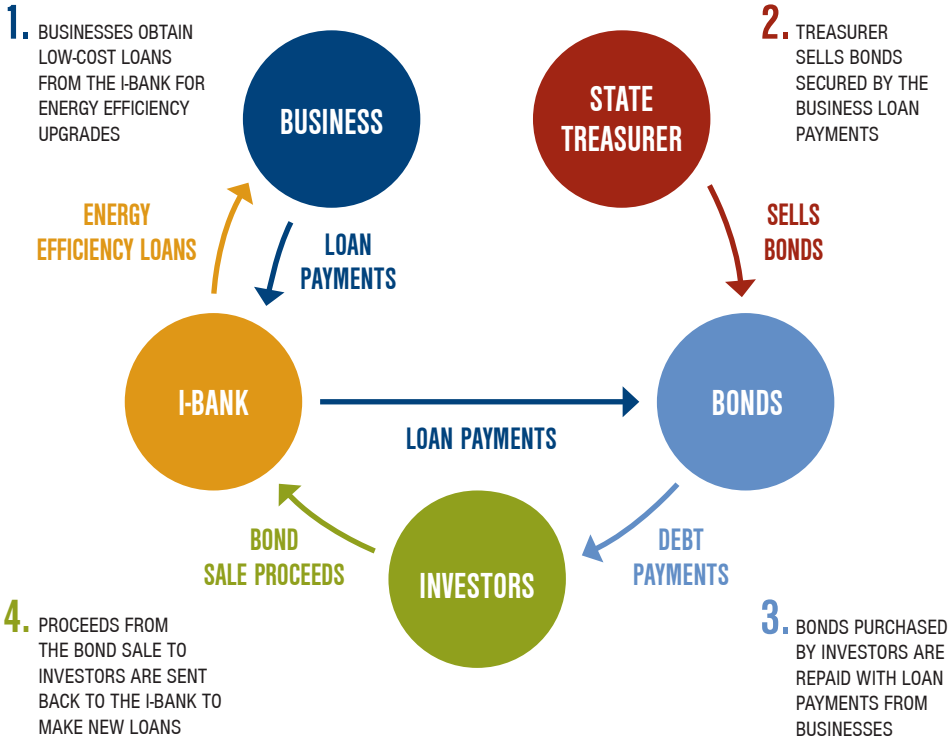
Commercial buildings are the second largest user of electricity in California accounting for 37 percent of primary energy consumption. If the direct greenhouse gas emissions from the commercial sector were combined with the emissions from electricity generation, it would represent the second largest contributor to greenhouse emissions in California.

If half of new commercial buildings were built to use 50 percent less energy, it would be the equivalent of taking more than one million cars off California's roadways.

Retrofitting California's commercial buildings would lower energy costs for the building owner and increase the property's value, while reducing the state's overall carbon footprint. Energy efficiency in commercial buildings offers businesses real cost savings that can be redirected toward creating new jobs and capital investments. However, many property owners do not pursue retrofitting their buildings because the projects are expensive and capital-intensive and the financing terms are not advantageous.

SOLUTION:

As treasurer, I am working with the Legislature to create the Commercial Energy Efficiency Financing platform that will provide low-cost loans to businesses to upgrade heating and air conditioning with more efficient, less-polluting technology. These loans would be made by the California Infrastructure and Economic Development Bank (I-Bank). My office will package these loans and sell bonds backed by loan payments made by borrowers. Then, we will use the proceeds from the bond sales to make new loans to businesses for more energy efficiency projects. By securitizing these individual loans into large bond offerings we can pass along more favorable financial terms to small businesses that would normally be available to only the largest borrowers.



IF HALF OF NEW COMMERCIAL BUILDINGS WERE BUILT TO USE 50% LESS ENERGY, IT WOULD BE THE EQUIVALENT OF TAKING MORE THAN ONE MILLION CARS OFF CALIFORNIA'S ROADWAYS.

US BUILDING ENERGY EFFICIENCY RETROFITS, ROCKEFELLER FOUNDATION & DB CLIMATE CHANGE ADVISORS, MARCH 2012

ELECTRIC VEHICLE CHARGING STATIONS

ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

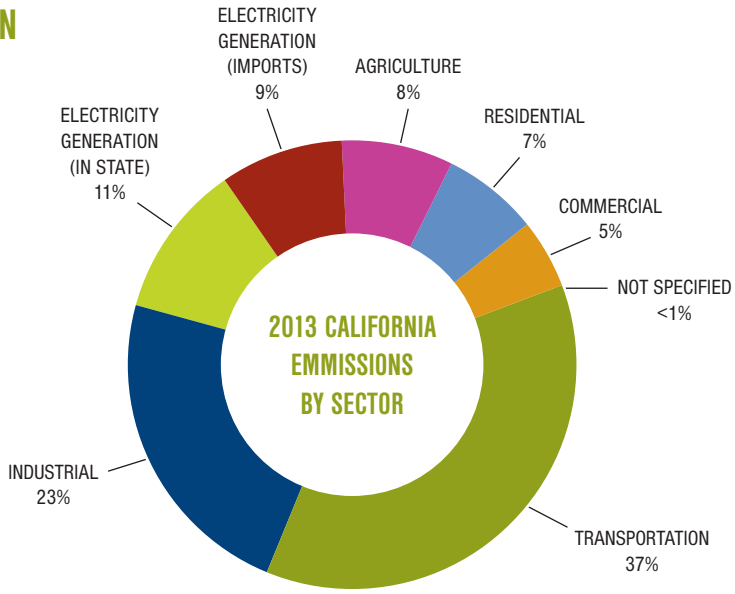
Nearly 20 pounds of carbon dioxide and other global warming gases are formed for every gallon of gasoline burned in an automobile. It should be no surprise that the transportation sector is responsible for 37 percent of California's greenhouse gas emissions and more than 95 percent of Californians live in areas that fail to meet federal or state air quality standards. The realities of climate change are upon us and incidences of lung diseases, such as asthma, bronchitis and cancer, are on the rise.

California may lead the country in the sale of zero emission electric vehicles, but millions of consumers do not buy the cars because electric vehicles on the market today have an average range of 80-100 miles and there is a dearth of charging stations. Governor Jerry Brown's Executive Order B-16-2012 has directed state agencies to collaborate to build a charging network that will support 1.5 million zero-emission vehicles by 2025. In less than ten years, California's vehicle charging infrastructure will need to be expanded 15 times its current capacity to keep pace.

SOLUTION:

In partnership with the California Energy Commission, through my office's Pollution Control Financing Authority, we have launched a $2 million financing program that provides incentives to small business owners and landlords to install electric vehicle charging stations for employees, clients and tenants. The program encourages lenders to finance the installation of electric vehicle charging stations by offering coverage against losses from loan defaults. In addition, the new program offers borrowers rebates of up to 15 percent of installation costs.

TRANSPORTATION IS THE LEADING CAUSE OF CALIFORNIA'S GREENHOUSE GAS EMISSIONS.



CALIFORNIA AIR RESOURCES BOARD

NUMBER OF EV CHARGING STATION OUTLETS CALIFORNIA CURRENTLY HAS:

9,470

US DEPARTMENT OF ENERGY

NUMBER OF EV CHARGING STATION OUTLETS CALIFORNIA NEEDS BY 2020:

100,000+

The charging station finance program is modeled on other successful programs of the treasurer's office that aid small businesses. It would help speed the elimination of millions of gas-burning autos from our roads.

ELECTRIC VEHICLE CHARGING STATIONS

✓ ACCOMPLISHED

CURRENT STATUS:

The Treasurer's Office, in partnership with the California Energy Commission, launched a $2 million financing program that provides incentives to small business owners and landlords to install electric vehicle charging stations for employees, clients and tenants.

The Treasurer's Office issued its first loan in February 2017 to install a charging station serving the small-but-growing number of electric cars in the community of Anza.

MORE INFO: (CLICK TO READ)

NEWS RELEASE:
Treasurer Launches Innovative Program to Finance Electric Vehicle Charging Stations Throughout California

WEBSITE:
Visit the Treasurer's website to learn more about this program

NEWS CLIPPING:
Anza Gets Vehicles Charging Station

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BETTER LIVES FOR THE DISABLED

ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

In California, some people living with disabilities and their families rely on a variety of public benefits provided by state and federal governments to make ends meet. They include, Supplemental Security Income, Medicaid, CalFresh, and other state health insurance programs. These programs provide critically important services to the disabled, but often do not allow individuals to save more than $2,000 or earn over $680 a month. These restrictions are a disincentive for people with disabilities and their families to save for long-term needs, leaving them vulnerable to changes in health, living arrangements, unexpected emergencies, or simply the explosive growth in the costs of disabled care.

SOLUTION:

During the 2015-2016 Legislative Session, Senator Fran Pavley of Agoura Hills and Assemblywoman Jacqui Irwin of Thousand Oaks co-authored and passed two bills, SB 324 and AB 449, that will help ease financial challenges faced daily by people with disabilities. The new laws give Californians access to the federally recognized 529A – "Achieving a Better Life Experience" (ABLE) accounts.

An ABLE account is a tax-advantaged savings account that can be established for the benefit of qualified individuals with disabilities. Contributions to the account, currently limited to $14,000 per year, can be made by family, friends, or the beneficiary themselves. The account's earnings are allowed to accumulate tax-free, and the withdrawals, provided they are applied to qualifying disability expenses, are tax-free. One of the biggest benefits of the ABLE account is that the savings held in the account, up to a current $100,000 limit, is not counted against the $2,000 limit on personal assets for individuals who wish to qualify for public benefits.

The ABLE program, once operational, will open up life-improving opportunities for California's disabled and their families in much the same way ScholarShare 529 plans opened educational opportunities to California's students. The treasurer's office has administered the ScholarShare savings program for the past 16 years. Now, I am delighted that my office will have the chance to roll out and administer such an important program to some of our most worthy and vulnerable citizens.

ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACCOUNTS ALLOW PEOPLE WITH DISABILITIES AND THEIR FAMILIES TO OPEN TAX-FREE SAVINGS ACCOUNTS WITHOUT FEAR OF LOSING VITAL GOVERNMENT ASSISTANCE.

One of the largest benefits afforded by the ABLE Act is the ability to exclude certain assets from federal means-tested programs. As an example, in order for an individual to obtain SSI, the countable resources must be worth not more than $2,000 for an individual or $3,000 for a couple.

IN ESSENCE, THE ABLE ACT HAS INCREASED COUNTABLE ASSETS FROM $2,000 TO $100,000 FOR DISABLED INDIVIDUALS SEEKING ELIGIBILITY FOR SSI.

Better Lives for People With Disabilities

✓ ACCOMPLISHED

CURRENT STATUS:

The Treasurer's Office began designing and building California Achieving a Better Life Experience (CalABLE program) in the summer of 2016. The program will allow people with disabilities to establish tax-advantaged accounts that will allow them to save up to $14,000 per year and up to $100,000 in total without losing vital public benefits such as supplemental security income, housing assistance or CalWorks.

The ABLE Act Program will open up life-improving opportunities for California's disabled population and their families in much the same way California's ScholarShare 529 plans formed educational opportunities for the state's students.

WHAT'S NEXT:

CalABLE expects to be open for business in summer 2017. Visit the Treasurer's website to learn more.

MORE INFO: (CLICK TO READ)

FACT SHEET:
CalABLE – Providing People With Disabilities Greater Financial Security

WEBSITE:
Follow CalABLE on Facebook for the latest updates

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DISABLED ACCESS LOANS

ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

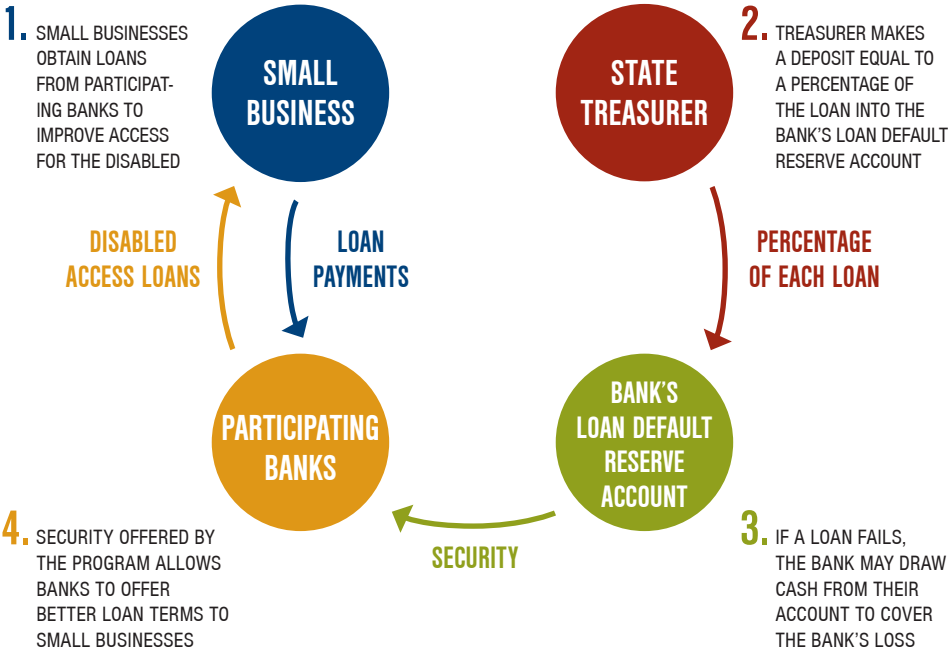
Every year, hundreds of lawsuits are filed against small businesses and "mom and pop stores," claiming they are in violation of the access regulations under the federal Americans with Disabilities Act (ADA). More than 40 percent of these types of lawsuits occur in California alone. While many lawsuits point out legitimate problems, such as a lack of wheelchair ramps, others are little more than shakedowns in the guise of civic responsibility that generate large attorneys' fees. Often, small businesses do not have the capital available to make the retrofits to their facilities and are compelled to spend money on the legal fees rather than improving accessibility to their storefronts.

SOLUTION:

During the 2015-2016 Legislative Session, Assemblymember Jimmy Gomez and I crafted, and Governor Brown signed, AB 1230 which provides a tool for small businesses to finance the retrofits needed to come into compliance with the ADA. The bill established the California Americans with Disabilities Small Business Capital Access Loan Program within my office's Pollution Control Finance Authority. The self-sustaining program will provide credit enhancement to support private bank loans to small businesses to make required improvements. The businesses that will qualify are among the smallest in the state and the most at risk. In crafting this important piece of legislation, we created a financing tool that will increase access for Californians living with disabilities while protecting businesses from predatory litigation.

BETWEEN SEPTEMBER 2012 AND OCTOBER 2014, 5,392 COMPLAINTS WERE FILED IN BOTH STATE AND FEDERAL COURTS. MORE THAN HALF (54%) OF THE COMPLAINTS WERE FILED BY JUST TWO LAW FIRMS. FORTY-SIX PERCENT OF ALL COMPLAINTS WERE FILED BY JUST 14 PARTIES.

CALIFORNIA COMMISSION ON DISABILITY ACCESS



DISABLED ACCESS LOANS

✓ ACCOMPLISHED

CURRENT STATUS:

In late 2016, State Treasurer John Chiang launched the California Capital Access Americans with Disabilities Act Financing Program. Loans enrolled in this program assist small businesses with financing the costs to alter or retrofit existing small business facilities of less than 10,000 square feet to comply with the Americans With Disability Act.

As of March 2017, three lenders were enrolled in the CalCAP/ADA Financing program and active outreach was ongoing through the state to business groups, property owners and disability access organizations.

MORE INFO: (CLICK TO READ / WATCH)

WEBSITE:
Visit the Treasurer's website to learn more about this program

VIDEO:
Treasurer Introduces CalCAP/ADA Financing Program

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MODERNIZING OUR INVESTING

ACCOMPLISHED
CLICK HERE TO READ MORE

In order to provide a higher level of service that is better tailored to the modern needs of my public finance counterparts at California's local agencies, I have directed my Investment Division to take steps to modernize our local agency investment services and options.

PROBLEM:

Today, California local public money managers are operating in a much more complex financial system than what existed just ten years ago. Issues regarding local agency investments, cash flows, and cash needs often require immediate and frequent attention that cannot always wait for regular business hours. The ability to securely conduct banking transactions and manage accounts as-needed through the internet via desktop or mobile device has been fully supported in consumer banking. The needs of the public investment portfolio manager are no different than consumers. But, online access to the California Local Agency Investment Fund (LAIF), the accounts managed by the treasurer's office that currently hold $21.5 billion in local agency funds for more than 2,000 of California's local agencies, is not currently available.

SOLUTION:

Already in development, we are preparing to launch a secure online account management system that I am calling LAIF Online. While we will still commit to great customer service during business hours by phone, LAIF Online will give local agency portfolio managers the ability to conduct a full range of transaction and management activity via the internet 24 hours a day. LAIF Online will also include easy access to full disclosure of program details for agency investors.

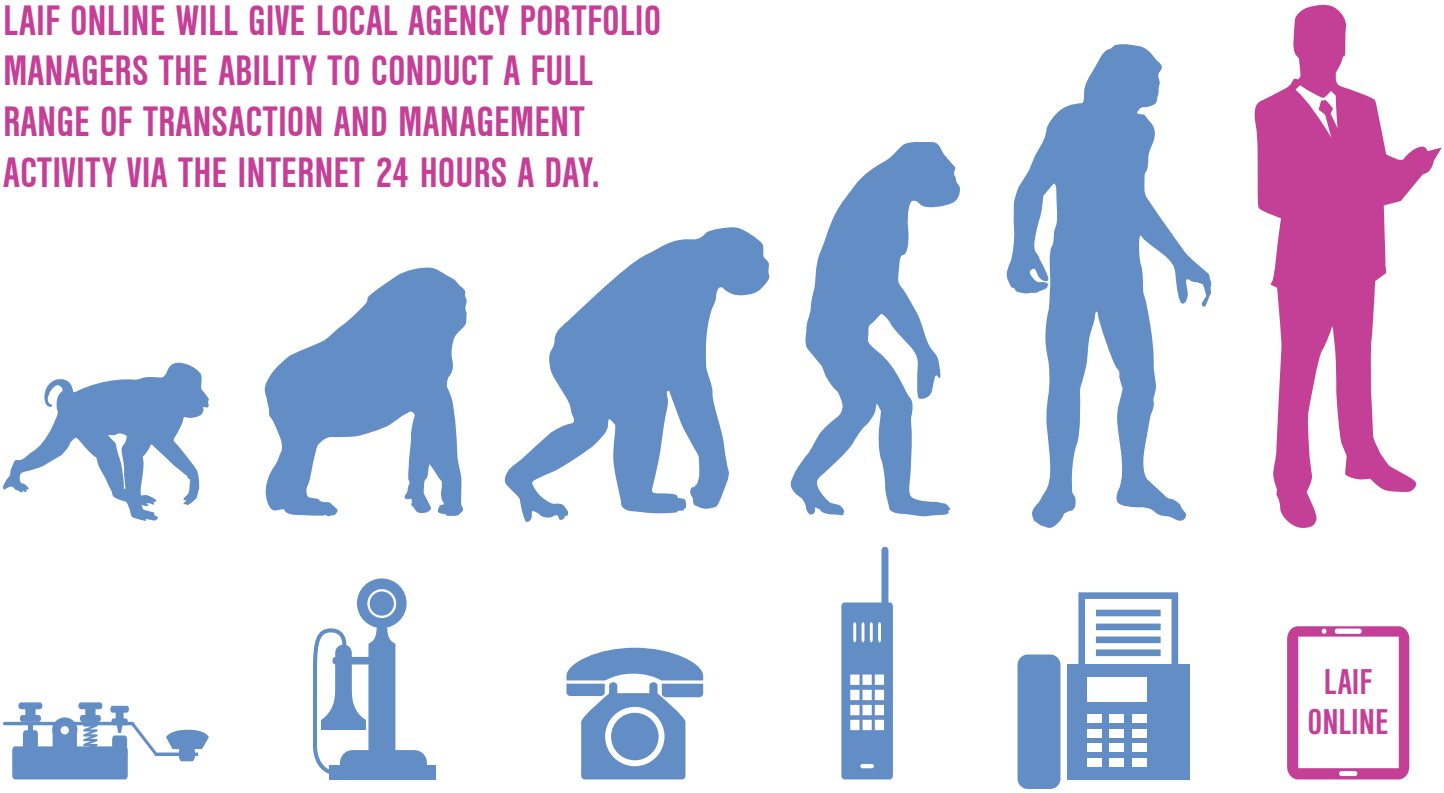
PROBLEM:

While LAIF has been long-known to yield highly competitive returns on short-term investments that local agencies can turn into cash quickly, the fund does not have higher yield investment options for agencies that have an intermediate-term investment horizon with greater date-certainty as to their cash needs. This is particularly important to agencies that have idle bond funds that have yet to be deployed to public projects and do not have excess administrative capacity to invest outside of LAIF.

SOLUTION:

In response to interest from LAIF investors and others, my investments staff is carefully doing the analysis and due diligence necessary to evaluate options for establishing a new investment alternative with a longer average maturity and commensurately higher returns. Clearly in a development stage, this initiative represents a great opportunity to breathe new excitement into the LAIF program by developing investment options not previously available.

LAIF ONLINE WILL GIVE LOCAL AGENCY PORTFOLIO MANAGERS THE ABILITY TO CONDUCT A FULL RANGE OF TRANSACTION AND MANAGEMENT ACTIVITY VIA THE INTERNET 24 HOURS A DAY.



MODERNIZING OUR INVESTING

✓ ACCOMPLISHED

CURRENT STATUS:

State Treasurer John Chiang launched the new LAIF online account management system during the summer of 2016. LAIF Online is a secure modern way for 2,450 California local agencies to invest hundreds of millions of dollars each day.

LAIF Online brought the Treasurer's office's antiquated investment system into alignment with twenty-first century banking technology. LAIF, which stands for Local Agency Investment Fund, was first created in 1977 to provide local governments with an opportunity to safely invest idle and surplus cash.

Using modern banking technology, the new LAIF Online account management system meets the needs of local agencies to tap their accounts when needed quickly and to carry out investment strategies in real time.

MORE INFO: (CLICK TO READ)

WEBSITE:
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NEWS RELEASE:
Treasurer Introduces Modern Banking Technology to Meet Investment Needs of Local and State Agencies

FACT SHEET:
LAIF Online: How it Works

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INVESTOR RELATIONS WEBSITE

ANALYSIS COMING IN SUMMER 2017

PROBLEM:

The state's issuance of general obligation bonds, lease revenue bonds, and revenue anticipation notes typically occurs during two periods each year – late February through the end of April, and mid-August through late November. In connection with each issuance, the state produces extensive disclosure documentation regarding the state's budget, finances, debt, and economy.

If investors or other interested parties wish to obtain this disclosure information outside of these issuance periods when the state's documentation is not current, review the documents used as sources for the disclosure documentation, or obtain historical source documents, they must access multiple state websites or contact multiple agencies.

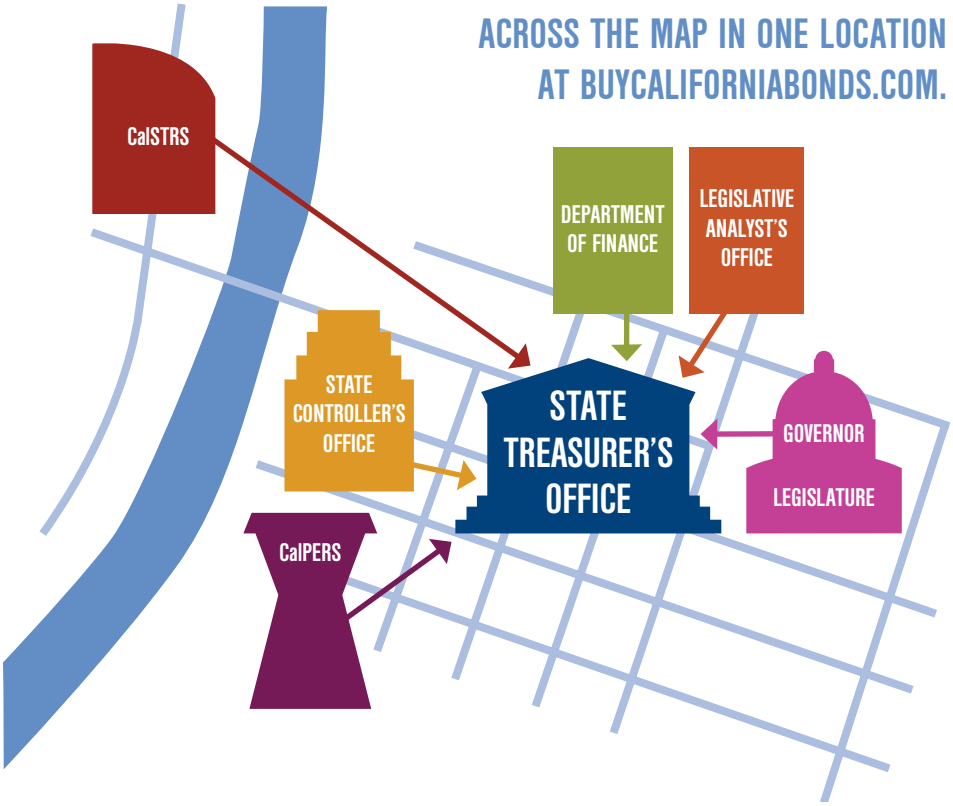
SOLUTION:

I am planning significant enhancements to our existing BuyCaliforniaBonds.com (BCB) website, a site currently focused on educating retail investors on how to buy the state's bonds. The aim of the new site will be to offer a comprehensive "one-stop shop" investor relations website for the State of California.

The new BCB website will centralize important information, make it more readily accessible and demonstrate my commitment to transparency.

THE AIM OF THE NEW BUY CALIFORNIA BONDS WEBSITE WILL BE TO OFFER A COMPREHENSIVE "ONE-STOP SHOP" INVESTOR RELATIONS WEBSITE FOR THE STATE OF CALIFORNIA.

FIND CRITICAL FINANCIAL INFORMATION FROM STATE AGENCIES ACROSS THE MAP IN ONE LOCATION AT BUYCALIFORNIABONDS.COM.



VISITORS TO THE NEW BCB SITE WILL FIND:

- Information on the state's major bond programs, previous bond issues, upcoming bond issues, and other related information
- Data regarding the state's outstanding debt, authorized but unissued debt, debt service obligations, and credit ratings
- Historical, current, and proposed state budgets
- Monthly financial reports, including the state controller's report on *General Fund Cash Receipts and Disbursements* and the Department of Finance's *Finance Bulletin*
- Annual audited financial statements, including the state's *Comprehensive Annual Financial Report* (CAFR) and *Budgetary/Legal Basis Annual Report*
- Information regarding the state's pension obligations, including audited financial statements and actuarial reports from CalPERS and CalSTRS
- Information regarding the state's Other Post Employment Benefits (OPEB), including the state controller's most recent OPEB actuarial report
- Economic and demographic information from the Department of Finance
- Other financial information

CALIFORNIA BUSINESS INCENTIVES GATEWAY

ACCOMPLISHED
CLICK HERE TO READ MORE

PROBLEM:

The California Association for Local Economic Development has more than 900 members working to attract, retain and grow businesses, large and small, in their communities. The State of California and more than 4,000 local governments have created literally thousands of programs and incentives that are designed to help grow the Golden State's economy. These incentives include site selection services, targeted tax breaks, training grants, fee waivers, permit assistance, low-cost or tax-exempt financing, reduced utility rates, and employee recruitment, to name just a few. In fact, just the boards, commissions, and authorities that I oversee at the treasurer's office offer more than a dozen different programs aimed at encouraging the growth of California businesses. But, these incentives are only effective at creating jobs if they are used, and they are only utilized as intended if businesses know that the programs exist, match their needs and are accessible.

Individual cities, counties, and regions spend thousands or even millions of dollars each year to promote their opportunities and incentives over others in-state and out-of-state. They use websites, brochures, direct mail, trade shows, and ads in everything from in-flight magazines to bus stands. But, often, this heated competition for jobs and investment among the communities in our state can stand in the way of businesses finding the *best* opportunities, especially when they are compared against the options available out-of-state. Many other states, albeit smaller with fewer options than California, have single contact points to access all incentives and opportunities. Not being able to quickly and easily access this critical information gives businesses the false impression that California is out of touch with their needs and is not working to create a hospitable business climate.

Even with California's global technology leadership, there is not a single website that can guide business decision-makers through an interactive experience that allows them to identify *all* applicable programs and incentives for bringing and/or expanding their businesses in California. Right now, a business contemplating expansion begins with an often ill-informed idea of what they are looking for and then must visit dozens of state and local websites to find the information they seek. A business really has no way of knowing whether they have found the best California has to offer. And, we do not know if we have put California's "best foot forward."

LITTLE HOOVER COMMISSION, EXCERPT FROM LETTER TO THE GOVERNOR AND LEGISLATURE, OCTOBER 22, 2015

"Californians demand and deserve high-quality service. As home to Silicon Valley, California is synonymous worldwide with innovation. California companies have set the gold standard for customer service. But why when Californians interact with their government, is their experience so much different?

Why can't an aspiring business owner go to one website and fill out one form and open up shop? Why can't Californians set up one account and have all pertinent information available across every department they deal with? Why can't Californians, particularly those most vulnerable with the least amount of time to spare, use their smartphone to access services and then automatically enroll in a program – and not just one program, but every program for which they qualify?

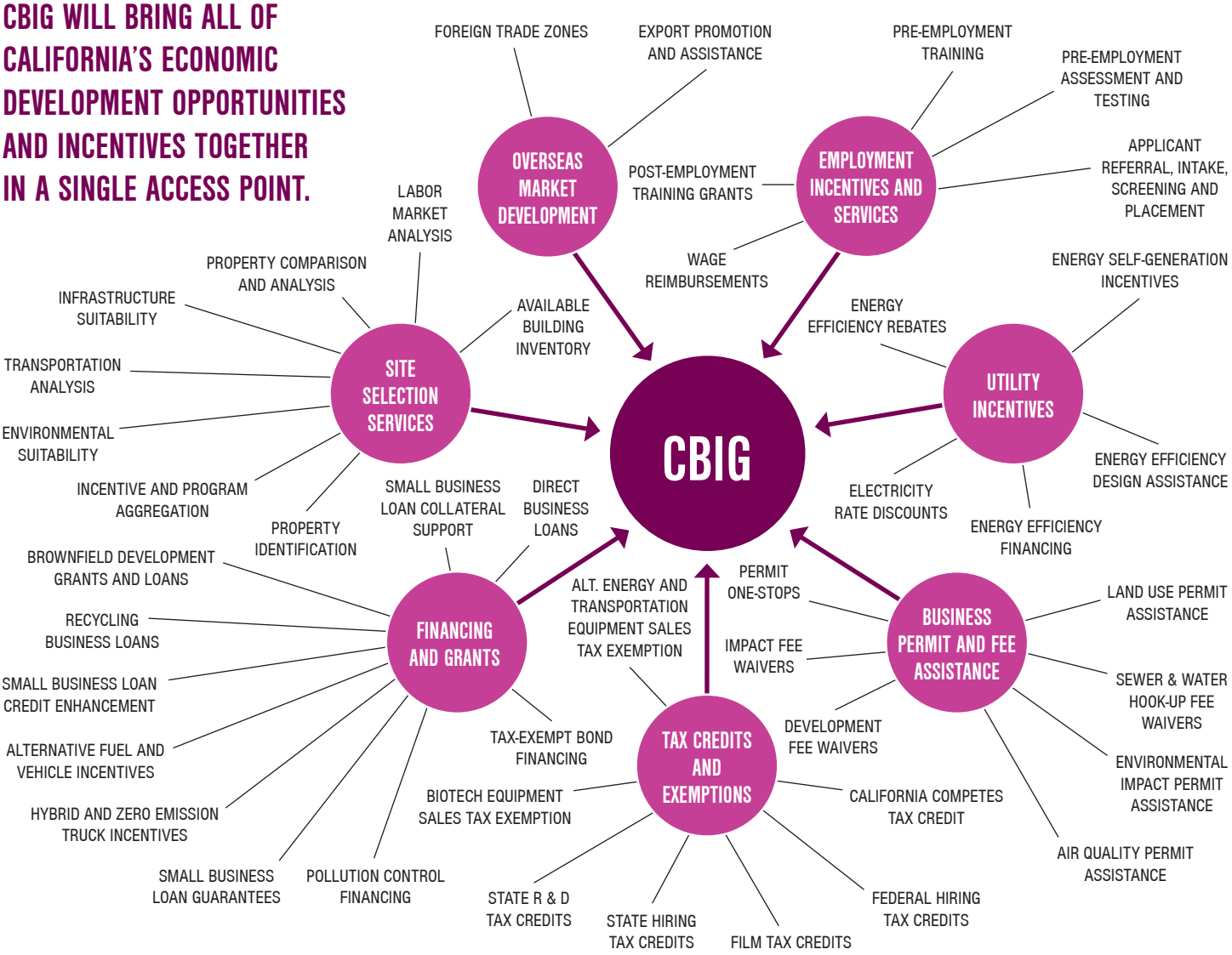
California state government has fallen behind, embarrassingly behind, on providing its customers – Californians – excellent experiences in their interactions with government. Cities and other states have taken a lead in making it a priority to provide services that are more user-friendly, easy to find, understand and get. It's easy to say California is too big, it's too hard. Yet the federal government seems to get it. And the United Kingdom, with an economy and a population larger than California, has streamlined its services and is looked to worldwide as a model.

During the past year, the Commission has heard from other governments, from civic technologists, from user experience experts, from public servants and from Californians. We ask this question, what is holding us back?

The Commission found technology is an important part of the solution. But it isn't everything. It starts first with a customer-centric focus and a willingness to question the way things usually get done."

PEDRO NAVA, CHAIR

CBIG WILL BRING ALL OF CALIFORNIA'S ECONOMIC DEVELOPMENT OPPORTUNITIES AND INCENTIVES TOGETHER IN A SINGLE ACCESS POINT.



SOLUTION

It is time for California to apply its technology acumen to solve this problem by developing a website that will bring all of California's economic development opportunities and incentives together in a single access point. Many will claim that the information we will collect is too disparate, community-specific, and lacking comparability or consistency. My response to that claim is to simply point to a huge internet success story – Amazon.com. Within a matter of minutes Amazon shoppers can sort through millions of products and find exactly what they are seeking, based on filtering criteria selected specifically to meet the user's needs. I propose to follow their lead and launch the California Business Incentives Gateway or CBIG.

A business looking for information on locations to expand, permit assistance, loans, and/or employee training, among other things, can come to CBIG, enter details about their business, including industry, size, facilities, and number of employees, and expect the site to return all incentives and programs that match their criteria organized by the type of program or service. CBIG users will be able view, sort, and filter the information returned by additional criteria and drill directly into the program or incentive details necessary to actually apply or take advantage of the program offerings. Then, as if that level of service to our business community is not a "game changer" enough, I propose that we develop a "universal application" so that businesses can apply once for services and have their application sent out electronically to all the appropriate entities.

CBIG will dramatically change the economic development landscape in California by simply putting the opportunities state and local governments have worked so hard to create and maintain in the hands of California's innovators, entrepreneurs and job creators. There cannot be a more efficient and effective economic development strategy that is guaranteed to communicate that "California is Open for Business."

CALIFORNIA BUSINESS INCENTIVES GATEWAY

✓ ACCOMPLISHED

CURRENT STATUS:

The California Business Incentives Gateway went online in December 2016. It is the first digital marketplace aimed at pairing businesses with the thousands of economic incentives and business opportunities developed by state agencies and local governments. Users of CBIG can drill down to find tax credits, fee waivers, one-stop permitting, training grants, loan guarantees and many other pro-business job-growth tools.

WHAT'S NEXT:

The public launch of the California Business Incentives Gateway is coming in the summer of 2017.

MORE INFO: (CLICK TO READ)

WEBSITE:
Visit cbig.ca.gov

VIDEO:
Welcome to the California Business Incentives Gateway

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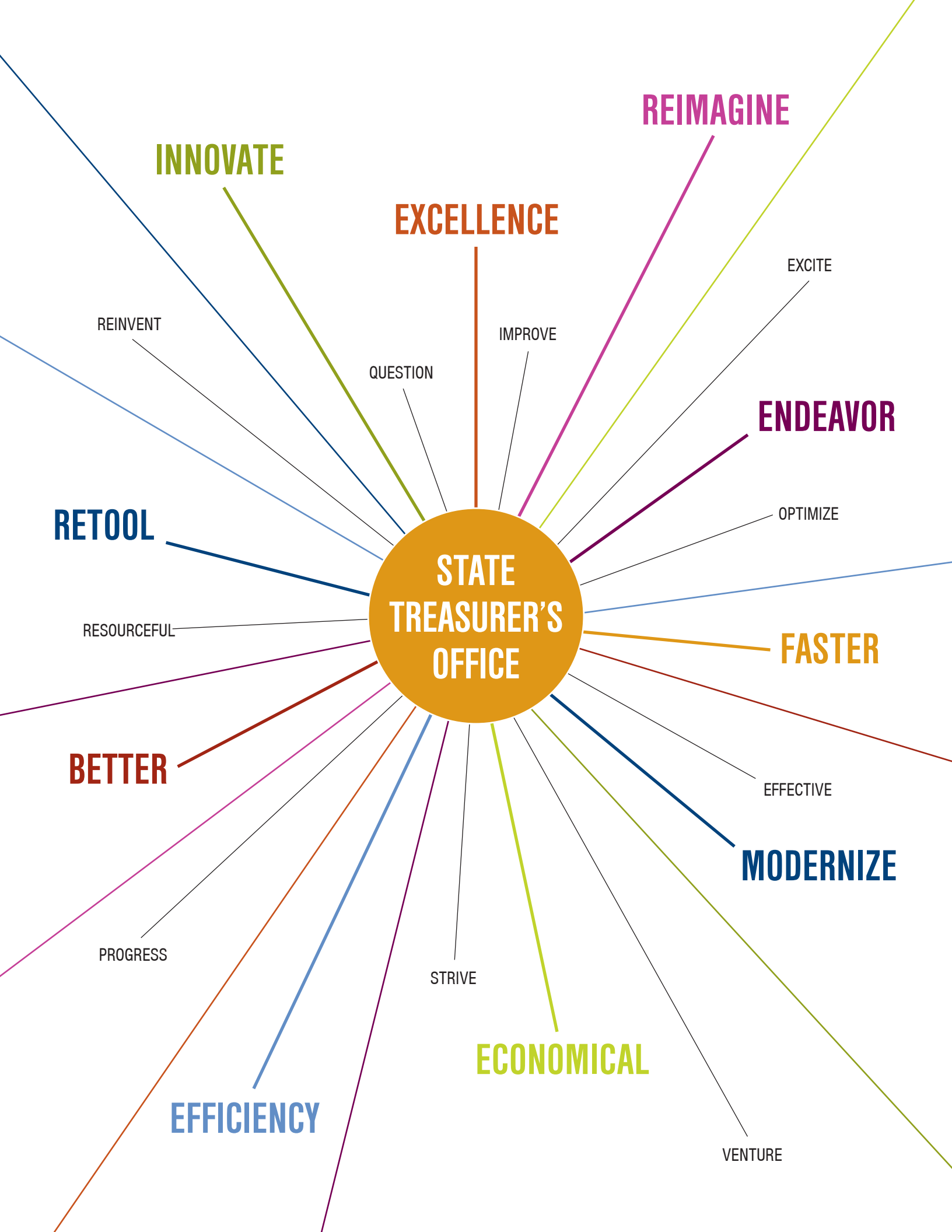
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JOHN CHIANG

CALIFORNIA STATE TREASURER

915 Capitol Mall, Room 110
Sacramento, California 95814
(916) 653-2995
www.treasurer.ca.gov