

Office of the Attorney General  
ATTN: Initiative Coordinator  
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Sacramento, CA 95814  
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**RECEIVED**

OCT 13 2011

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

I hereby submit this proposed Initiative measure to the California Attorney General's Initiative Coordinator via the U.S. Postal Service requesting the preparation of a title and summary.

Signed: Jeffrey L Heaton Jeffrey L Heaton

Below is my statement required by Elections Code section 9001 subdivision B.

I Jeffrey L Heaton declare under penalty of perjury that I am a citizen of the United States, 18 years of age or older, and a resident of Contra Costa County, California.

Below is my statement required by Elections Code section 9608:

I, Jeffrey L Heaton acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Jeffrey L Heaton  
(Signature of Proponent)

Dated this 12 day of October, 2011

Please see the attached text of the proposed **Sustainable California State Bank Initiative** MEASURE as prepared by the Legislative Counsel. #1127762

I am enclosing a check for \$200 payable to the State of California.

I am the initiatives sole proponent. My voter registration address is

Jeffrey L Heaton

## INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

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The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

(Here set forth the title and summary prepared by the Attorney General. This title and summary must also be printed across the top of each page of the petition whereon signatures are to appear.)

## TO THE HONORABLE SECRETARY OF STATE OF CALIFORNIA

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We, the undersigned, registered, qualified voters of California, residents of \_\_\_\_\_ County (or City and County), hereby propose amendments to the Constitution of California, relating to the establishment and financing of a state bank, and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding general election or at any special statewide election held prior to that general election or as otherwise provided by law. The proposed constitutional amendments (full title and text of measure) read as follows:

SECTION 1. The people find and declare the following:

(a) Access to capital to fund a sustainable green economy is vitally important for the health, security, and well-being of the State and its residents.

(b) Small, local, and sustainable green businesses and organizations are the key elements needed to produce a thriving and stable state economy.

(c) More than 30 percent of all economic activity is generated by the government and 50 percent of all of the money spent in the economy goes toward servicing debt. At the same time, 30 percent of all private-sector profits benefit transnational banks.

(d) Large private banks have engaged in trading in stock markets, currency markets, and derivatives, and have fraudulently conveyed millions of mortgage notes to investors worldwide, causing bank failures and economic instability.

(e) The State of North Dakota has established a highly successful model of a state bank by creating and operating the Bank of North Dakota.

(f) Through the establishment and operation of the Sustainable California State Bank, the Legislature and the residents of the State will have access to over \$100 billion in capital to direct sustainable, green economic development policy initiatives in a responsive and efficient manner.

(g) As state and local governmental entities choose to deposit funds in the Sustainable California State Bank, adding to the bank's capital, the bank will be able to use those funds to invest in the State's economy.

SEC. 2. Section 27.5 is added to Article XIII of the California Constitution, to read:

SEC. 27.5. (a) The Legislature, a majority of the membership of each house concurring, shall impose a tax on all operators for the privilege of extracting, by any

means, oil or gas from the earth or water in this State. The tax shall be imposed at a rate of not less than 15 percent of the gross value of the oil or gas extracted.

(b) As used in this section, an operator is any person that, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control any oil or gas well in the earth or water in this State.

(c) An operator shall be solely liable for the tax and may not cause, either directly or indirectly, any other person to be liable or responsible for that tax. A violation of this subdivision shall be punishable by a monetary fine of not less than two times the amount of the tax liability and by any other sanction prescribed by statute.

(d) The tax to be imposed pursuant to this section shall be in addition to any other taxes imposed by law.

(e) All taxes, penalties, and other amounts collected pursuant to this section shall be transferred to the Sustainable California State Bank, established by statute pursuant to Article XVII, to assure an adequate source of capital for that bank.

SEC. 3. Article XVII is added to the California Constitution, to read:

#### Article XVII. Sustainable California State Bank

SECTION 1. The State shall engage in the business of banking and, for that purpose, the Legislature, a majority of the membership of each house concurring, shall enact legislation establishing a system of banking owned, controlled, and operated by the State, which shall be known as the Sustainable California State Bank (hereafter the Bank), pursuant to and consistent with the provisions of this article.

SEC. 2. The mission and purposes of the Bank shall be to promote sustainable agriculture, conservation, renewable energy, recycling of essential resources, full employment, economic equality, sound government, democratic participation of the citizenry, worker-owned businesses and cooperatives, sustainable mining, industry and manufacturing, modern infrastructure, fair trade, a stable economy, sustainable and affordable low-cost housing, ecotourism, public transportation, community involvement, holistic approaches to health, education, and science, and stewardship of a more natural and pollution-free environment.

SEC. 3. (a) The Bank shall be governed and operated by a board of directors, which shall consist of 11 voting members, including the Treasurer. The Treasurer shall also serve as chairperson of the board.

(b) The Governor shall appoint the initial members of the board of directors, other than the Treasurer. The appointed members shall serve until their successors are elected as provided in subdivision (c).

(c) (1) The members of the board of directors, other than the Treasurer, shall serve four-year terms. Five of those members shall be elected at the statewide general election at which the Governor is elected. The other five members shall be elected at the statewide general election at which the Governor is not elected.

(2) A candidate for director shall submit a petition containing the signatures of at least 5,000 registered voters in this State collected within six months prior to the date of the statewide election at which the candidate is seeking election. The petition shall be submitted to the Secretary of State at least three months prior to that election, or a greater amount of time as required by statute or by the Secretary of State.

(3) A candidate for director shall not accept any campaign contributions or gifts.

(4) A candidate for director may publish his or her resumé and ideas regarding Bank policies in a voters' guide and may participate in public debates among two or more candidates for election to the board.

(d) The Governor may remove a board member, other than the Treasurer, for cause, as prescribed by statute.

(e) If a member of the board is removed or resigns before the end of his or her term, the Governor may appoint a new member to serve the remainder of that term.

(f) Members of the board of directors shall serve without compensation, except that the Legislature shall provide by statute for reimbursement of reasonable expenses.

SEC. 4. (a) Except as otherwise provided in this article, the Bank may exercise any power or authority vested in a state-chartered bank.

(b) The board shall locate and maintain the Bank's places of business, which shall be within the State. The Bank shall not outsource any of its operations to any correctional facility, to any bank that is not registered as a state-chartered bank in the State, or to any contractor in any other state or nation.

(c) The Bank may perform the functions and render the services of a clearinghouse for banks doing business in the State, including providing domestic and foreign exchange, and may rediscount debt instruments on such terms as the board shall provide.

(d) The board may adopt, by regulation, and enforce rules, policies, and procedures that it deems necessary or appropriate for the transaction of the business

of the Bank, including, but not limited to, rules, policies, and procedures regarding the following:

(1) Management performance, customer service, and internal accounting methods, procedures, and operating policies.

(2) Eligibility for borrowing, criteria for evaluating loan applications, aggregate spending limits for a single borrower, and other limitations on loans, consistent with the Bank's mission, this article, and the statutes implementing this article.

(3) Accuracy of financial reporting and compliance with applicable laws and regulations.

(4) Overall risk management strategy.

SEC. 5. (a) The Treasurer shall appoint a president of the Bank and additional Bank officers, who shall be exempt from civil service, and may remove the president or any officer for any reason. The board shall make recommendations to the Treasurer regarding the appointment of officers.

(b) The Legislature, by statute, shall establish the compensation of the Bank president and officers. The maximum compensation, including benefits, of the president or other officers shall not exceed 12 times the lowest rate of compensation, including benefits, paid to a full-time Bank employee.

(c) A director or officer of the Bank, while holding that position, may not borrow money or otherwise receive any extension of credit from the Bank.

(d) The Bank shall indemnify and hold harmless each director, officer, and employee of the Bank against all reasonable and documented costs and expenses incurred by him or her in connection with the defense of any action, suit, or proceeding

in which he or she is made a party by reason of his or her position as a director, officer, or employee of the Bank, except to the extent that he or she has been adjudicated in such action, suit, or proceeding to be liable by reason of willful misconduct in the performance of his or her duties. This indemnification shall not be exclusive of other rights to which a director, officer, or employee may be entitled as a matter of law or equity.

SEC. 6. (a) Except as provided in subdivision (b), all state funds shall be deposited in the Bank.

(b) (1) The Pooled Money Investment Account, the Public Employees' Retirement System, any other public retirement system, any municipal utility district, school district, hospital district, city, county, or city and county, and any other local governing body, taxing authority, or political subdivision of the State may establish and maintain an account with the Bank and may deposit any of its operating funds into that account.

(2) Any entity described in paragraph (1) may also establish and maintain a capital investment account with the Bank and may deposit any of its investment funds into that account as a capital investment.

(3) The Local Agency Investment Fund may establish and maintain a capital investment account with the Bank into which any funds in the Local Agency Investment Fund may be deposited.

(4) Funds deposited in accounts pursuant to this subdivision shall be expended by the depositing entity only as authorized by law.

(c) (1) Except as provided in paragraph (2), any private person or entity may establish and maintain an account with the Bank and may deposit any of its funds in that account.

(2) (A) The Bank may establish and maintain a demand deposit account or checking account for a resident of the State. To establish an account, a resident of the State shall appear in person at an office of the Bank.

(B) The Bank may establish and maintain a savings account, certificate of deposit, or investment account for any citizen of the United States.

(d) All funds deposited in the Bank shall be guaranteed by the State in a manner prescribed by statute.

(e) The Bank shall provide accountholders with electronic access to their accounts, subject to federal requirements.

(f) The obligation of the Bank to pay principal, interest, and any other return on investment shall not be subject to Section 1 of Article XVI.

(g) Nothing in this article shall alter the requirement applicable to state entities contained in Section 7 of Article XVI.

SEC. 7. (a) All income earned by the Bank for its own account on state moneys that are deposited in or invested with the Bank to the credit of the State shall be credited to and become a part of the revenues and income of the Bank.

(b) All moneys received by the Bank from the taxes, penalties, and other amounts imposed pursuant Section 27.5 of Article XIII shall become part of the revenues and income of the Bank and shall be used as operating capital, consistent with this article and the statutes implementing this article.

(c) The Bank's annual operating budget shall be subject to appropriation by the Legislature in the annual Budget Act.

(d) Notwithstanding Section 1 of Article XVI or any other provision of this Constitution, the Bank may borrow funds from the Federal Reserve System in times when, in the judgment of the board, the Bank requires additional operating capital.

(e) The Bank may invest its funds in any manner that ensures appropriate cash management and is consistent with the Bank's mission and purposes.

(f) The Bank shall be exempt from payment of any fees or taxes levied by the State or any political subdivision of the State.

(g) Except as provided in subdivision (c), all revenues, income, and other moneys of the Bank shall be continuously appropriated to the Bank for purposes of this article and the statutes implementing this article.

SEC. 8. (a) Notwithstanding any other provision of this Constitution, the Treasurer and the Controller may, when the balance in the General Fund is insufficient to meet anticipated authorized expenditures, execute and issue on behalf of the State evidences of indebtedness on the General Fund. As a condition precedent to the issuance and sale of the evidences of indebtedness, the Treasurer shall obtain a statement from the Controller and the Franchise Tax Board certifying that the anticipated General Fund revenues for the balance of the fiscal year in which the evidences of indebtedness are to be issued will exceed the principal amount and interest on the evidences of indebtedness to be issued. The Bank may, in turn, make loans to the General Fund by the purchase of the evidences of indebtedness. After any evidences of indebtedness have been sold to the Bank, the Treasurer shall establish a fund for the repayment of

the indebtedness upon maturity and shall place all available General Fund revenues into the fund until the fund contains a sufficient balance for the repayment of the indebtedness when due, which moneys are hereby appropriated for that purpose. No interest shall accrue on any loans made pursuant to this subdivision.

(b) The Bank may purchase or refinance other outstanding evidences of indebtedness of the State at rates and upon such terms as approved by the board.

(c) The Bank may make loans to, or purchase, guarantee, or hold loans of, any bank doing business in the State.

(d) (1) The Bank may make loans, at favorable rates relative to prevailing market rates, to businesses and organizations seeking to finance viable projects, including, but not limited to, small, local, and sustainable projects that improve, protect, or conserve the natural environment, that the board deems to be consistent with the Bank's mission and purposes.

(2) In its lending activities pursuant to this subdivision, the Bank may act in partnership with other financial institutions, economic development groups, research and development groups, governmental bodies, private businesses, cooperative-owned businesses, individuals, families, and guaranty agencies.

(e) Notwithstanding subdivision (d), the Bank shall not make a new loan to any business entity if 10 percent or more of the entity's total employee compensation is paid to employees who are located outside the State and the unemployment rate of the State has been greater than 1 percent for more than 12 consecutive months.

(f) The Bank may make low-interest loans to a municipal utility district, school district, hospital district, city, county, or city and county, or any other taxing authority

within the State to finance new construction or maintenance of facilities consistent with the Bank's mission and purpose.

(g) The Bank shall not engage in proprietary trading or securitization of residential loans or debt instruments.

SEC. 9. (a) By December 1 of each year, the Treasurer shall submit a report to the Legislature regarding the operations of the Bank during its most recently completed fiscal year. The report may include recommendations by the Treasurer to improve the Bank's operations with respect to achieving the Bank's mission and purposes. The Legislature may, by statute, enact changes to the Bank's operations consistent with that report and this article.

(b) The Bank shall be subject to examination by the Department of Financial Institutions according to the standards and requirements applicable to a state-chartered bank. The Bank shall reimburse the Department of Financial Institutions for its reasonable costs in conducting any examination.

SEC. 10. (a) The board shall meet regularly as a board, and with the officers of the Bank, to review Bank operations. Meetings of the board shall be subject to open meeting laws applicable to state agencies. Any meeting of the board that is open to the public may be broadcast on the Internet or on public access television.

(b) To ensure the transparency of the Bank's operations, and in addition to any other requirements applicable to state agencies relating to access to public records, the following shall be made publicly available on the Internet or by other similar means:

(1) Monthly summaries of Bank transactions, subject to applicable laws regarding confidentiality of personal information of Bank clients.

(2) An annual statement of the salary of each officer and employee of the Bank, and the aggregate compensation of all officers, as a group, together with the Bank's annual financial statements.

(3) The annual report to the Legislature pursuant to Section 9.

SEC. 4. In order to provide capital to establish the Bank, the sum of two hundred million dollars (\$200,000,000) shall be appropriated by the Legislature from the General Fund to the operating fund of the Bank at the time the Bank is established by statute. That amount shall be repaid to the General Fund from revenues received by the Bank from the tax imposed by the Legislature pursuant to Section 27.5 of Article XIII.

SEC. 5. (a) Notwithstanding any other provision of law, the Attorney General shall defend the constitutionality of this act.

(b) The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.