
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

Bill No: AB 2080

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Version: 6/10/26

Hearing Date: 7/1/26

Fiscal: No

Consultant: Peterson

INVESTMENT OF FUNDS: DELEGATION TO COUNTY TREASURER

Allows a county board of supervisors to delegate investment authority to the county treasurer indefinitely, or until the board revokes the authority, if the county's investment policy meets specified reporting requirements.

Background

Local government investments. Since 1913, state law has authorized local officials to invest a portion of local agencies' temporarily idle funds in a variety of financial instruments. Originally, state law limited the instruments to government bonds, but over time the laws governing local agency investments have been amended to keep pace with changing investment opportunities and current market offerings. California law allows local officials to deposit money in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in the State of California.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, state law outlines local agencies' investment objectives, also known as the prudent investor standard. The primary objective is to safeguard the principal of the funds under their control. The secondary objective is to meet the liquidity needs of the depositor. The final objective is to achieve a return on the funds under their control.

State law limits the percentage that local agencies can invest in many types of investments. This encourages local agencies to diversify their investment portfolios, which limits the risk to the local agency if any investment does not have the expected return. Local agencies make investments with different maturity dates, which refer to the date when the borrower must make the final payment due on an investment. To limit risk, the Government Code places limitations on the types and terms of investments that local governments can make, including to limit the term to maturity for certain types of investments.

Delegation of authority. Existing law outlines county powers and governance, including an elected county board of supervisors, an elected county sheriff, an elected district attorney, and an elected assessor. The powers of a county can only be exercised by the board of supervisors or through officers acting under the authority of the board. In addition to these elective offices, each county can name other officers. For example, county treasurers receive and keep safely all money belonging to the county as state law and county investment policies require. State law requires the office of the treasurer to be an elective office, but allows the board of supervisors to make it an appointive office with voter approval.

State law allows the board of supervisors to delegate its authority to invest or to reinvest funds for a one-year period to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

Some counties have also created investment oversight committees to advise the board on the county treasurer's investment policy. The board can work with the treasurer to identify the specific makeup of the committee, but it must include representatives of various county offices and public members. The treasurer appoints the members, which the board must confirm. If the county creates an investment oversight committee, the treasurer must create an annual investment policy describing types of investments and investment strategies the treasurer plans to use. The board must review and approve the policy, and any changes to the policy, at a public meeting. The treasurer may provide a quarterly report regarding the investment policy to the chief executive officer of the county, the county's internal auditor, and the board of supervisors.

If delegated to the treasurer by the board of supervisors, the treasurer may invest or reinvest the funds of the county and the funds of other depositors in the county treasury. To allow the county treasurer to maintain this role, the board of supervisors must annually delegate this investment authority. The treasurer must then assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority or decides not to renew the annual delegation. If delegated this authority, the county treasurer must be the agent of the county with respect to these funds, serve as a fiduciary, and be subject to the prudent investor standard, which means they must safeguard principal and maintain liquidity before they can seek a return on investment.

Recent county investment issues. Issues regarding whether county treasurers use their delegated investment authority wisely appear from time to time. For example, on December 6, 1994, Orange County became the largest municipality in U.S. history to declare bankruptcy at the time. The county treasurer had lost \$1.7 billion of taxpayers' money through investments in risky Wall Street securities. In 1994, the Orange County investment pool had about \$7.6 billion in deposits from the county government and almost 200 local public agencies (cities, school districts, and special districts). Borrowing \$2 for every \$1 on deposit, the County Treasurer increased the size of the investment pool to \$20.6 billion. While in bankruptcy, every county program budget was cut, about 3,000 public employees were discharged, and all services were reduced. Orange County did not make its final payment on the \$1 billion bond that helped it get out of bankruptcy until 2017. Following Orange County's bankruptcy filing, the Legislature enacted a number of bills to increase protections and address these problems, including SB 106 (Kopp, 1996), which required the investment delegation to be made on an annual basis.

More recently, at the end of 2024, the Orange County Board of Supervisors elected not to extend their county treasurer's investment authority due to concerns over the county's oversight regarding investment practices, which had not happened in the county since 2010. In February 2025, the board of supervisors passed an ordinance to allow the county Chief Financial Officer, who is under the county's Chief Executive Officer, to exercise investment authority, not the county treasurer, which is an independent elective office.

Citing unnecessary administrative burdens and compliance risks, the California Association of Treasurers and Tax Collectors want to remove the one-year delegation requirement.

Proposed Law

Assembly Bill 2080 allows, in addition to annually delegating investment authority to the county treasurer, a county board of supervisors to delegate investment authority to the county treasurer indefinitely, or until the board revokes the authority, if the county’s investment policy requires monthly transaction reports and quarterly investment policy reports to the board.

Comments

1. Purpose of the bill. According to the author, “As a former local elected official, I’m happy to be authoring AB 2080, which will help to ensure that investment authority delegation is not interrupted by requirements that such authority is renewed on an annual basis. By changing this practice to instead requiring a proactive revocation of delegated authority, this bill will streamline county finances without sacrificing necessary oversight and reporting mechanisms.”

2. Not so fast. Requiring the board of supervisors to annually authorize the county treasurer to invest county funds on their behalf ensures that the treasurer’s investment practices align with county policies. While AB 2080 preserves the ability of a board of supervisors to revoke a treasurer’s investment authority, or to not delegate investment authority at all, it removes the annual requirement for the board to delegate the authority. This means the board of supervisors would have to proactively identify investment concerns, rather than conduct an annual review before they renew the treasurer’s authority. That said, conditioning investment authority on an annual board decision does come at a cost. If the county board does not make the delegation in a timely fashion, investment decisions could be missed or delayed, putting taxpayer dollars at risk. AB 2080 preserves existing reporting requirements, which puts more pressure on the board of supervisors to actively monitor county treasurer investment decisions on an ongoing basis.

3. Related legislation. SB 1438 (Committee on Local Government), which the Committee approved on a 7-0 vote at its April 22nd hearing, makes various changes to local government investment laws to recast and reorganize provisions authorizing local agencies to invest their surplus funds, among other changes. The measure is currently pending on the Senate Floor.

Assembly Actions

Assembly Committee on Local Government:	10-0
Assembly Floor:	69-0

Support and Opposition (6/26/26)

Support: California Association of County Treasurers and Tax Collectors (Sponsor)

Opposition: None Submitted

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