
UNFINISHED BUSINESS

Bill No: SB 595
Author: Choi (R)
Amended: 9/3/25 in Assembly
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 7-0, 4/30/25
AYES: Durazo, Choi, Arreguín, Cabaldon, Laird, Seyarto, Wiener

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 39-0, 6/4/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Reyes

ASSEMBLY FLOOR: 78-0, 9/8/25 - See last page for vote

SUBJECT: Local government: investments and financial reports

SOURCE: Author

DIGEST: This bill changes local government annual financial reporting deadlines, extends the authority for certain types of local government investments, and allows local governments to invest in longer maturity investments.

Assembly Amendments incorporate changes from SB 858 (Committee on Local Government) and allow the Controller to extend a deadline for submitting their financial reports.

ANALYSIS:

Existing law:

- 1) Requires the State Controller's Office (SCO) to prepare and publish annual reports on the financial transactions of cities, counties and special districts, along with any other information deemed to be of public interest.
- 2) Requires local agencies to report the annual compensation of public officials to SCO and to post that information on the local agency's website.
- 3) Requires the local officer in charge of financial records to provide the report for the prior fiscal year within seven months after the close of each fiscal year, unless the SCO specifies otherwise. Local agencies have to submit the information on annual compensation for the previous year no later than April 30th of the current year. If they do not submit on time, SCO notifies them.
- 4) Provides that an officer who willfully and knowingly submits a false report is guilty of a misdemeanor. A local officer who fails or refuses to file their report within 20 days after SCO notifies them of their failure or refusal must forfeit to the State a specified amount based on the agency's total revenue.
- 5) Authorizes local officials to invest a portion of a local agency's temporarily idle funds in a variety of financial instruments, but imposes limitations on the types and terms of investments that local governments can make in order to minimize risk.
- 6) Provides the following exceptions to these limitations and restrictions until January 1, 2026:
 - a) Increases the commercial paper limit for cities and special districts that have more than \$100 million in investment assets from 25% to 40% of their total surplus funds.
 - b) Prohibits cities and special districts from investing more than 10% of their commercial paper and medium-term investments in any single issuer.
 - c) Allows local agencies to invest in securities the federal government issues or backs that could result in zero- or negative-interest accrual if held to maturity during a period of negative market interest rates, and hold those securities until maturity.

This bill:

- 1) Revises the timeframe for the SCO to impose penalties on local agency officials for failing to file financial transaction reports. Specifically this bill allows for penalties if a local agency fails to file reports within 10 months of the end of the agency's fiscal year, or within the time prescribed by the Controller, whichever is later, rather than 20 days after receiving a notice from the SCO of its failure to file.
- 2) Allows local agencies to invest in commercial paper that has a maturity of up to 397 days, instead of 270 days.
- 3) Extends local government investment provisions that sunset January 1, 2026.

Background

For the 2022-23 reporting year, 170 cities, 13 counties, and 945 special districts either filed late or failed to file their reports.

Comments

- 1) *Purpose of this bill.* According to the author, "Almost every city, county and state in the country is required have an audit of their financial statements performed by an independent Certified Public Accounting firm. It has become the normal industry standard to complete the financial audit within six months of the end of a fiscal year, so that the information can be reported and published in their state's Annual Comprehensive Financial Report. However, there are a handful of municipalities in California that are extremely delinquent in their report submissions, and have not completed audits for the fiscal year ending June 30, 2022. SB 595 requires the officer in charge of filing their agency's mandatory financial audit report with the State Controller within ten months of the end of the local agency's fiscal year. If the report is not filed within that timeframe, the individual officer would be required to forfeit up to \$5,000 to the state, depending on the total revenue of the local agency. The bill also extends the sunset dates of two provisions that are crucial for cities and counties to manage their finances and investments."
- 2) *Too far or not far enough?* SB 595 attempts to encourage greater compliance with local government financial transaction reports by changing when the Controller can start penalizing local agencies 10 months after the end of the fiscal year, instead of 20 days after sending notice. Given that over 1,000 local agencies were late to file or failed to file at all, simply changing when penalties can occur may not be sufficient. Is SB 595 going far enough to get local

agencies to comply with their annual financial transaction reporting requirement?

- 3) *Why 397 days?* County treasurers must abide by the statutory requirements to invest excess funds in this order of priority: (a) safety, (b) liquidity, and (c) yield. 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. Specifically, current law limits commercial paper (a short-term debt that is paid back at a specific time with interest, issued by companies) to terms of 270 days or fewer. The California Association of County Treasurers and Tax Collectors notes that in late 2020, the Securities and Exchange Commission allowed counties with over \$100 million in securities can act as qualified institutional buyers, meaning that they were authorized to purchase additional types of commercial paper that have longer maturities. However, because state law limits commercial paper maturities to 270 days—which is shorter than the 397 day terms that some of these additional types of commercial paper have—counties in California have been unable to purchase these new assets. SB 595 extends maturity terms that local governments can purchase from 270 to 397 days.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee:

- Negligible costs to the SCO, and potential minor General Fund administrative savings, related to the changes to the timelines for the assessment of penalties when a local agency fails to submit financial reports.

SUPPORT: (Verified 9/8/25)

California Association of County Treasurers and Tax Collectors

OPPOSITION: (Verified 9/8/25)

None received

ASSEMBLY FLOOR: 78-0, 9/8/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega,

Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos,
Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio,
Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa,
Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Lee, Nguyen

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