

BOARD OF SUPERVISORS

SUPERVISORS

Phillip Peters District 1
Chris Parlier District 2
Jeff Flores District 3
David Couch District 4
Leticia Perez District 5



Clerk of the Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue, 5th Floor
Bakersfield, California 93301
Telephone (661) 868-3585
TTY Relay 800-735-2929

April 28, 2026

The Honorable Avelino Valencia
Chair, Assembly Committee on Banking and Finance
1021 O Street, Suite 5510
Sacramento, CA 95814

RE: AB 2214 (Jackson), Proposed Community Reinvestment Account under the Local Agency Investment Fund – OPPOSE

Dear Assembly Member Valencia,

I am writing on behalf of the Kern County Board of Supervisors to express our serious concerns with AB 2214 (Jackson), which would establish a Community Reinvestment Account within the Local Agency Investment Fund (LAIF) and require the State Treasurer to allocate between five and ten percent of LAIF funds toward deposits with financial institutions engaged in specified community lending activities.

Kern County appreciates the intent of the bill to expand access to capital for small businesses and first-time homebuyers, particularly in underserved communities. Increasing access to credit and supporting economic development are important public policy goals, and programs that strengthen community lending can benefit local economies across California, including rural regions such as Kern County.

However, the County must respectfully raise significant concerns regarding the potential impact this proposal may have on local government investment funds.

LAIF exists primarily to provide local governments with a safe, highly liquid, and conservative investment vehicle for public funds. LAIF is an important cash management tool for counties, cities, and special districts because it functions much like a secure savings pool for public funds, allowing jurisdictions to temporarily invest taxpayer dollars that are set aside for payroll, public safety operations, infrastructure maintenance, and other essential services while those funds are awaiting use. Because LAIF investments are designed to be extremely safe and accessible, jurisdictions can quickly withdraw funds when needed to meet operational expenses or respond to emergencies without risking the loss of public dollars. By directing up to ten percent of LAIF funds into a program designed to incentivize specific lending outcomes, this bill fundamentally alters the traditional purpose of the fund.

Although the bill states that the Community Reinvestment Account must maintain the security of principal and daily liquidity, the proposal introduces a number of structural changes that may increase risk exposure

for participating local governments. Deposits could be placed with institutions engaged in higher-risk lending activities, including small business lending in underserved markets and first-generation homebuyer financing. Additionally, the bill allows for alternative collateralization structures and risk-weighted safeguards supported by loan guarantees or credit enhancements, including those funded through the State Small Business Credit Initiative. These mechanisms differ from the traditional conservative investment standards that have historically governed LAIF.

Local governments deposit billions of dollars into LAIF with the expectation that those funds will be invested according to strict risk management principles focused on preservation of capital and immediate liquidity. Redirecting a portion of these pooled funds toward policy-driven lending initiatives could introduce additional credit exposure and operational complexity into a program that local governments depend upon for stability.

The bill also raises concerns regarding local control of public funds. While counties contribute significant deposits into LAIF, the proposed program would grant the State Treasurer broad authority to determine which institutions qualify for deposits and how funds within the Community Reinvestment Account are allocated. Local agencies would have limited ability to influence how their deposited funds are used once placed into the account.

Kern County is also concerned about the precedent this proposal may establish. If LAIF is used as a financing mechanism to support policy initiatives, future legislation could expand similar programs, gradually shifting the fund away from its long-standing role as a conservative investment pool for local governments.

For these reasons, Kern County must respectfully oppose this measure and urges you to **vote NO on AB 2214** to ensure local government investment funds remain protected and that the core principles of LAIF (safety, liquidity, and preservation of principal) remain the program's primary focus.

Sincerely,



Phillip Peters, Chairman
Kern County Board of Supervisors

cc: Honorable Members, Assembly Committee on Banking and Finance
Honorable Members, Kern Legislative Delegation
California State Association of Counties
Rural County Representatives of California
Urban Counties Caucus
California Association of County Treasurers and Tax Collectors
Kern County Treasurer-Tax Collector
Shaw Yoder Antwih Schmelzer & Lange