

CALIFORNIA STATE TREASURER PHIL ANGELIDES

TRANSFORMING THE TREASURER'S OFFICE

INTO

A FORCE FOR PROGRESS

JANUARY 1999 – JANUARY 2007

During his eight years in office, California State Treasurer Phil Angelides transformed the Treasurer's office into a force for progress in California and across the nation. From the day he was sworn in, he made "the sleepy treasurer's office a policy powerhouse," the *Associated Press* reported, putting billions of dollars to work in innovative ways that made a difference in the lives of Californians and in the economy of the state and nation. He demonstrated that capital, invested wisely, can create both strong financial returns and good results for society.

Treasurer Angelides mobilized pension funds and investors across the nation to end corporate abuses, expand shareholder rights, protect life savings, and end human rights violations – ushering in a new era of corporate responsibility and shareholder activism. He launched a ground-breaking investment initiative to create jobs, housing, and opportunities in inner cities and underserved communities which had been historically overlooked by financial institutions – catalyzing a wave of re-investment, by public pension funds and private investors, in urban centers across the country. He put the weight of the state's pension funds behind investments in environmental technology and the fight against global warming – seeding the "green-tech" investment revolution that is now taking hold across the nation and the world. And, he was the first statewide elected official in more than three decades to call for a renewed commitment to investing in California's infrastructure -- laying the foundation for a new wave of investment to bolster California's long-term economic prosperity.

During his two terms in office, Treasurer Angelides lived up to his inaugural pledge to use money "for good purpose," standing up for fiscal responsibility, earning positive returns for taxpayers, and investing to broaden economic opportunity, improve education, and protect the environment. He harnessed billions of dollars as a force for good without a cost to taxpayers, while reducing the size of the Treasurer's office staff by 9 percent.

Treasurer Angelides' record won widespread praise and recognition. The *Los Angeles Times* called Angelides "the Energizer bunny of state government," the *Sacramento Bee* praised Treasurer Angelides as "the most effective and dynamic state treasurer in a generation." And he received numerous awards for his work, including the National Inner City Leadership Award from the Initiative for a Competitive Inner City; the California League of Conservation Voters' Environmental Leadership Award; and the Congress for the New Urbanism's Lifetime Achievement Award.



Protecting Taxpayers, Investors, and Life Savings

- **Cracking down on investment fraud and abuse.** When the Wall Street, Enron, and WorldCom scandals rocked the financial markets, Treasurer Angelides mobilized the State's pension and investment funds -- and investors across the country -- to fight for corporate reform, to protect the financial markets vital to our free enterprise system, and to guard against the fraud and inside dealing that robbed millions of Americans of their hard-earning savings. Through his *Power of the Purse*

initiative, Treasurer Angelides set new market standards -- putting in place the toughest reform standards in the nation on investment banks doing business with the state and pushing California's pension funds to impose new rules on mutual funds to end abuses and protect investors. He pressed corporations and federal regulators to crack down on excessive executive pay packages and expand rights and protections for shareholders. Treasurer Angelides was the first elected public official to call for the resignation of New York Stock Exchange Chairman Richard Grasso when details of his



egregious pay package were made public; Grasso resigned the very next day. Under Treasurer Angelides' leadership, California recovered \$250 million for taxpayers and pensioners from corporate wrongdoers and stands to recover over \$2 billion more.

- **Prudently managing public money.** Treasurer Angelides has provided solid management of the State's Pooled Money Investment Account, earning a record \$14 billion and consistently outperforming market benchmarks. As a pension fund trustee, he helped steer the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement

System (CalSTRS) through the toughest of times – the 2001 recession and the wave of market scandals – to earn strong returns for retirees and taxpayers, leading the funds to the highest assets levels in their history.

- **Fighting corporate expatriation.** Treasurer Angelides led a national fight against expatriate corporations – U.S. companies that relocate their headquarters in name only to an offshore haven to weaken shareholder rights and avoid taxes, draining revenue needed for vital public services and putting California businesses at a competitive disadvantage. He sponsored a new law that bars state contracts for expatriate firms and proposed legislation to close the state tax loophole that expatriate companies exploit.
- **Ending abusive bond deals.** Working with Attorney General Bill Lockyer, Treasurer Angelides ended the abusive practice of local governments creating “roving” joint powers authorities to issue bonds for financially shaky private development projects. This crackdown restored the integrity of the marketplace for California local government bonds and protected investors.
- **Making earthquake insurance more affordable.** Treasurer Angelides, in his role as a member of the governing board of the California Earthquake Authority (CEA), led the effort to lower homeowner's earthquake insurance premiums by 22.1 percent, saving the homeowners with CEA insurance policies an average of \$259 per year. As a result, over 600,000 California households will see their insurance rates go down, lowering the overall cost of CEA earthquake insurance to consumers by over \$100 million annually.

Investing in California Families and Communities

Through his innovative and successful *Double Bottom Line* and *Smart Investments* initiatives, Treasurer Angelides has directed more than \$26 billion worth of investments into California's communities – to address the widening disparity of economic opportunity, to bring new hope to communities too often left behind, and to encourage smart growth to sustain California's economic prosperity. These initiatives became national models at the same time that they expanded homeownership, helped small businesses, created jobs, revitalized urban neighborhoods, and protected the environment in California.



- **Expanding homeownership and financial opportunity.** Under his *Double Bottom Line* strategy, which pursued the “double bottom line” goals of solid returns for the State's pension and

investment funds and broadened economic opportunity in California communities, Treasurer Angelides invested more than \$2.7 billion in Community Reinvestment Act (CRA) home loans. He more than quadrupled deposits - to over \$8 billion - in California community lending institutions and credit unions, many serving inner-city and rural areas. These investments earned positive returns while helping more working California families become homeowners and spurring business lending.

- **Broadening economic opportunity.** Treasurer Angelides led CalPERS and CalSTRS to adopt a goal of investing 2 percent of their investment portfolios in California's underserved communities that had been bypassed by financial institutions despite their economic potential. Over the last five years, these investments, in areas such as home and business lending, business expansion, and urban development, have helped spur the rebirth of once-struggling neighborhoods around the state and earned strong returns for the funds. For example, CalPERS has committed over \$3 billion to its California Urban Real Estate initiative, earning annual returns of 20% since the program's inception in 2001.
- **Building affordable housing.** Treasurer Angelides has provided financing and tax credits for the construction and renovation of over 100,000 affordable rental housing units for California families and seniors since January 1999.
- **Helping small businesses.** Treasurer Angelides has greatly expanded lending to California's small businesses, providing loans under the California Capital Access Program to more than 4,000 California businesses, resulting in the creation or preservation of nearly 22,000 jobs. He has dramatically increased the number of "micro loans" – loans of less than \$40,000 and in amounts as small as \$500 – that provide the seed capital small businesses need to launch and expand. And he formed a partnership with Silicon Valley executives to give small business entrepreneurs mentoring and guidance from experienced business executives.
- **Expanding community health clinics.** Working in partnership with the private sector, Treasurer Angelides has dramatically increased financing to community health clinics. As chairman of the California Health Facilities Financing Authority, he has helped more than 450 California health clinics expand, upgrade their equipment, and provide 1.5 million more medical visits annually for families, children, and seniors.

Protecting California's Environment

- **Catching the 'Green Wave' of Environmental Investments.** Treasurer Angelides' groundbreaking *Green Wave* investment initiative, launched in February 2004, put the \$300 billion might of the state's two pension funds behind investment and innovation for an environmentally sustainable economy and set a new standard for corporate environmental responsibility. Under his leadership, CalPERS and CalSTRS committed to invest nearly \$1.5 billion in renewable energy, cutting-edge environmental technologies, and environmentally responsible companies; to push companies to address the financial risks posed by environmental liabilities and to join the fight against global warming; and to reduce energy consumption by their massive real estate holdings. The first initiative of its kind, the *Green Wave* established a model for environmental investing that has been widely embraced by public and private sector investment funds. It helped spur the growing international investor drive to prod corporations to address global warming, a movement that now encompasses more than 50 investment organizations managing more than \$4 trillion in assets.
- **Making Smart Investments.** Treasurer Angelides' *Smart Investments* and *Double Bottom Line* initiatives have redirected state funding to revitalize urban neighborhoods, curb sprawl and promote energy-efficient and sustainable development practices. For example, over one billion dollars



annually in affordable housing funds are now awarded to projects taking into account factors such as energy efficiency, location in community revitalization areas, and proximity to transit, schools, and parks. As another example, Angelides led the effort to require the State to follow smart growth criteria in building and leasing offices. These initiatives have been recognized as the first efforts in more than two decades to set a state blueprint to guide sustainable urban growth.

- **Cleaning up brownfields.** Treasurer Angelides created Cal ReUSE, a program to help cities finance the cleanup of contaminated properties in the midst of California communities.
- **Planning smart growth.** Treasurer Angelides created the new Sustainable Communities Grant and Loan Program that has awarded more than \$4 million to California cities and counties to help them develop model plans, policies, and projects that promote smart growth.
- **Greening the state's vehicle fleet.** Treasurer Angelides sponsored the law to stop the State from buying wasteful SUVs and to require the administration to green the state's fleet of 70,000 vehicles to be the most fuel-efficient in the world.
- **Promoting cleaner vehicles.** Treasurer Angelides sponsored the law to open California's high-occupancy vehicle lanes to hybrid and other fuel-efficient, advanced technology automobiles.

Expanding Educational Opportunity for California's Young People

Treasurer Angelides has been a consistent and outspoken advocate of educational excellence and investment. Recognizing that California's success in a competitive 21st century global economy is dependent on the knowledge and skills of its people, he committed the treasurer's office to finding ways to expand educational opportunity for California's young people and to improve California's schools and colleges.

- **Helping families save for college.** Treasurer Angelides launched ScholarShare, a college savings plan that has helped 180,000 families invest \$2 billion in college savings at a time when tuition and college fees are rising sharply. ScholarShare enables Californians to invest and save for college education with tax-free benefits.
- **Helping teachers buy homes.** Treasurer Angelides created the Extra Credit Teacher Home Purchase Program to provide low-interest home loans and down-payment assistance to teachers who have committed to serve in toughest-to-teach schools. The program has helped 1,900 families buy a home and helped attract and retain qualified teachers at the schools that need them most.
- **Building schools.** Treasurer Angelides was the first statewide elected official in 2002 to call for a \$25 billion school bond package to relieve school overcrowding and to repair older schools. He actively supported Propositions 26 and 39, lowering the vote threshold for approving local school bonds. And he financed over 6,700 school projects during his tenure as Treasurer.
- **Expanding charter schools.** Treasurer Angelides has been a proponent of charter schools to train today's students for tomorrow's workforce. As part of the Kindergarten-University Public Education Facilities Bond Acts of 2002 and 2004, he spearheaded the carve-out of \$400 million for public charter school expansion and construction. Furthermore, the California School Finance



Authority (CSFA), which is chaired by Treasurer Angelides, sought and won a \$50 million grant from the U.S. Department of Education to expand charter school facilities.

- **Endowing college dreams.** Treasurer Angelides created a grant program through the California Educational Facilities Authority (CEFA) to expand private college academic assistance and outreach programs, helping more low-income students have a chance to realize their college dreams. He also sponsored legislation, which was passed by the Senate and Assembly but was vetoed by Governor Schwarzenegger that sought to establish the California Hope Endowment to generate up to \$2 billion in new revenues over the next decade – without raising taxes – to help more California students prepare for and attend college. The California Hope Endowment would fund scholarships, academic outreach and counseling, and college-preparatory courses in high schools. The endowment would be funded by transferring the state's mismanaged real estate holdings to a public trust corporation, which would manage them like a business to generate revenues for the benefit of increasing college access and achievement.



- **Protecting education investment.** When California faced a budget shortfall under Governor Davis, Treasurer Angelides “became the first statewide officer to question the prevailing assumption that California's budget crisis means the schools must suffer,” as the *Sacramento Bee* said in an editorial in 2003. He consistently stood up and spoke out against harmful education budget policies and proposals to increase college tuition and fees. He led the successful opposition to efforts to end academic outreach and college preparation programs that help disadvantaged students attend our universities and colleges, to cut college financial aid, and to turn 25,000 qualified students away from CSU and UC.

Promoting Social Responsibility and Human Rights

- **Taking on tobacco.** In 2000, Treasurer Angelides led the successful fight at CalPERS and CalSTRS to divest the funds' \$800 million in tobacco stock.
- **Opposing genocide in Darfur.** From the very beginning, Treasurer Angelides led the efforts to ensure that the power of California's pension funds was used to help stop, not contribute to, the genocide in Darfur. In late 1999, at Treasurer Angelides' urging, CalPERS sold its stock in Talisman Energy, a Canadian company with Sudanese operations, and in 2000, CalPERS, also at Treasurer Angelides' urging, was one of the key institutional investors that refused to participate in the initial public offering of PetroChina, a firm doing extensive business with the Sudanese government. In 2005 and 2006, he repeatedly pressed CalPERS and CalSTRS to divest their holdings in firms with ties to the Sudanese government, and in April 2006 CalSTRS, on his motion, voted to divest.
- **Seeking justice for Holocaust survivors.** In 1999, Treasurer Angelides helped lead a coalition of public investment officials from across the country that successfully prodded companies involved in Holocaust-era seizing of assets and slave and forced labor to reach what eventually became a global \$4.5 billion settlement with Holocaust survivors. After the settlement, he worked with Bet Tzedek Legal Services and Jewish Family and Children's Services (JFCS) of San Francisco to urge financial institutions to waive the wire-transfer fees charged to Holocaust survivors and their families on payments for Holocaust-related reparations or restitution; more than 100 institutions agreed to do so.
- **Setting standards for investing in foreign emerging markets.** At Treasurer Angelides' urging, CalPERS adopted landmark policies to protect the pension fund from the risks of investing in foreign emerging markets and to promote free markets, democracy and human rights in

developing countries. Under these policies, the pension fund invests in countries that are politically stable, are moving towards true democracy and free markets, have financial transparency, including a free press, and have banned abusive practices such as child labor and in companies that are committed to corporate responsibility, human rights, and environmentally sustainable practices.

Championing Budget Fairness and Fiscal Responsibility

- **Standing up for balanced budgets.** Throughout his tenure, Treasurer Angelides was a consistent voice for fiscal responsibility and balanced budgets. He opposed the costly deficit borrowing – under both Governors Davis and Schwarzenegger – that has left the state with over \$20 billion in debt to cover past deficits. He repeatedly called for a fair and responsible State budget, one that is truly balanced, without borrowing, and that protects critical investments such as schools and transportation.
- **Closing tax loopholes.** He proposed a detailed legislative package to clearly identify and evaluate the effectiveness of tax expenditures and close wasteful corporate tax loopholes to help balance the budget and provide needed funding for schools and colleges.

During his tenure, Treasurer Angelides dramatically reshaped the role of investment capital in American society and the global economy. He showed that leaders who manage money have a responsibility beyond seeking short-term returns. By investing with an eye to encouraging corporate responsibility, expanding access to capital and promoting sustainable economic growth, Treasurer Angelides created enduring value and greater wealth for the future, to the common benefit of all who live and work in California.

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