

**California State Treasurer’s Office RFP SA00004-23  
CALACCOUNT MARKET ANALYSIS AND FEASIBILITY REPORT**

**Exhibit A  
SCOPE OF WORK**

**Table of Contents**

- 1. OVERVIEW ..... 1
- 2. PROJECT REPRESENTATIVES ..... 1
- 3. TERM OF THE AGREEMENT ..... 2
- 4. BUDGET ..... 2
- 5. MARKET ANALYSIS AND REPORT..... 2
  - 5.1. Feasibility of the CalAccount Program..... 3
  - 5.2. Potential Modifications to the CalAccount Program ..... 7
  - 5.3. CalAccount Program Costs..... 8
  - 5.4. California’s Unbanked Population ..... 8
  - 5.5. Low-Cost or No-Cost Options..... 9
  - 5.6. Program Alternatives ..... 9
  - 5.7. Recommendations ..... 10
  - 5.8. Outreach Alternatives ..... 10
  - 5.9. Public-Private Partnership Governance ..... 10
  - 5.10. Costs, Benefits, and Impacts ..... 10
  - 5.11. Important Considerations ..... 12
    - 5.11.1. Number of Potential Accountholders ..... 12
    - 5.11.2. Availability of Financial Institutions ..... 12

- 5.11.3. Acceptability of Banking Products..... 12
- 5.11.4. Participation without a Photo ID..... 13
- 5.11.5. Potential Sources of Revenue ..... 13
- 5.11.6. Competitors to the CalAccount Program ..... 13
- 5.11.7. State Fiscal Risk ..... 13
- 5.11.8. Other Feasibility Considerations ..... 14
- 5.11.9. Risks and Costs ..... 14
- 5.11.10. Effectiveness and Scalability ..... 14
- 5.11.11. Impact of CalAccount on Existing Institutions..... 15
- 5.11.12. CalAccount Network Administrators..... 16
- 6. SUPPORT FOR HEARINGS AND MEETINGS ..... 16
- 7. DELIVERABLES ..... 17
  - 7.1. Draft and Final Work Plans ..... 18
  - 7.2. Draft Report ..... 18
  - 7.3. Final Report..... 19
- 8. PROJECT MANAGEMENT ..... 20
  - 8.1. Management of Deliverable Due Dates..... 20
  - 8.2. Communications ..... 20
  - 8.3. Advisory Committee meetings..... 20
  - 8.4. Project Dashboard ..... 21
  - 8.5. Contractor Key Personnel ..... 21

## 1. OVERVIEW

The California Public Banking Option Act, Title 21.1 (commencing with Section 100100) of the Government Code (Assembly Bill 1177 (Chapter 451, Statutes of 2021)), established the CalAccount Blue Ribbon Commission (the Commission), and requires the Commission to, on or before July 1, 2024, conduct, by contracting with one or more entities with appropriate expertise, and deliver, as prescribed, a market analysis to determine if it is feasible to implement a “CalAccount Program,” which, if implemented, would have certain characteristics, including that it would be a program established by the state for the purpose of protecting consumers who lack access to traditional banking services from predatory, discriminatory, and costly alternatives, which offers Californians access to a voluntary, zero-fee, zero-penalty, federally insured transaction account, known as a CalAccount, and related payment services at no cost to accountholders, including robust and geographically diverse mechanisms for accessing account funds and account management tools that facilitate the automation of basic financial transactions designed to serve the needs of individuals with low or fluctuating income. The bill requires the Commission to hold a public hearing to review the market analysis and, after holding that hearing, authorizes the Commission to issue a report to accompany the market analysis.

The scope of the work to be performed by the Contractor shall be in support of AB-1177.

## 2. PROJECT REPRESENTATIVES

The State Treasurer’s Office shall administer the contract and be the State’s point of contact on behalf of the Commission. The Contractor shall assign a project manager who shall be the primary point of contact to the State on behalf of the Contractor.

The project managers for this Agreement, and their contact information, are as follows:

**Table 1, Project Representatives**

<b>State:</b>	<b>Contractor:</b>
California State Treasurer’s Office	TBD
Mr. Andre Rivera	Attention:
915 Capitol Mall, Room 314 Sacramento, CA 95814	Address:
(916) 653-2752	Phone:
Andre.Rivera@treasurer.ca.gov	Email:

The State and the Contractor reserve the right to change their own project manager contacts and contact information with seven (7) days written notice to all other named parties in this section. The change shall be considered an administrative action which does not require a

Contract amendment. The Contractor shall not change its contact in a manner that would be considered assignment of the Contract to a party other than the Contractor without a State approved Contract amendment.

### **3. TERM OF THE AGREEMENT**

The term of the Agreement will be from 7/1/2023 through 8/1/2025. At the sole discretion of the California State Treasurer's Office, the term of the agreement may be extended for six additional months. This Agreement shall not become effective until approved by the Department of General Services. In no event shall services be performed prior to approval by the Department of General Services.

### **4. BUDGET**

The amount of this agreement will be \$2,500,000 for the initial term and shall not exceed \$2,500,000 over the entire term of the agreement, including all optional extensions. Hourly billing rates shall remain same throughout the term of the Agreement.

### **5. MARKET ANALYSIS AND REPORT**

Text and numbering in this section that is shown in *italic* is from AB-1177. The Contractor shall fulfill the requirements of all italic text. In addition, the Contractor shall fulfill the requirements of any additional text within this section 5 et seq. which is displayed in normal font, as described therein. Note that any text following the italic AB-1177 language is only additional to the requirement for the Contractor to fully and comprehensively perform the analysis indicated by the bill's language. The additional language is not intended to limit the Contractor's market analysis to only the additional text offered.

Throughout this section, where the text of AB-1177 states, "*The market analysis required by this subdivision shall also include...*", the Contractor is required to include the identified work in its study, analysis, and report, and "*this subdivision*" refers to the AB-1177 subdivision (a) italic text of this SOW's section 5.1.

The terms "unbanked" and "underbanked" used in this SOW are as defined in the FDIC's *National Survey of Unbanked and Underbanked Households*, where "unbanked" means "no one in the household had a checking or savings account at a bank or credit union," and "underbanked" means "the household was banked and [in the past 12 months] used at least one of the following nonbank transactions or credit products or services: money orders, check cashing, or international remittances (i.e., nonbank transactions) or rent-to-own services or payday, pawn shop, tax refund application, or auto title loans (i.e., nonbank credit)."

## 5.1. Feasibility of the CalAccount Program

*Government Code 100104(a)(1) ... [T]he [Contractor] shall conduct... and deliver a market analysis to determine if it is feasible to implement a "CalAccount Program," which, if implemented, would have all of the following characteristics:*

*(A) Would be a program established by the state for the purpose of protecting consumers who lack access to traditional banking services from predatory, discriminatory, and costly alternatives, which offers Californians access to a voluntary, zero-fee, zero-penalty, federally insured transaction account, known as a CalAccount, and related payment services at no cost to accountholders, including robust and geographically diverse mechanisms for accessing account funds and account management tools that facilitate the automation of basic financial transactions designed to serve the needs of individuals with low or fluctuating income.*

*(B) Would be administered by a board consisting of all of the following members:*

- (i) The Treasurer or the Treasurer's designee.*
- (ii) The Commissioner of the Department of Financial Protection and Innovation or that person's designee.*
- (iii) An individual with banking expertise, particularly expertise in transaction accounts and debit cards, appointed by the Senate Committee on Rules.*
- (iv) An individual with expertise in economic and racial justice and cultural competence appointed by the Speaker of the Assembly.*
- (v) An employee representative appointed by the Governor.*
- (vi) An individual with expertise in banking or consumer financial services affiliated with an academic institution appointed by the Governor.*
- (vii) An individual with banking expertise appointed by the Governor.*
- (viii) A public banking advocate appointed by the Senate Committee on Rules.*
- (ix) A consumer representative or advocate with expertise in banking access and financial empowerment, including within historically unbanked and underbanked communities, appointed by the Speaker of the Assembly.*

*(C) Would require the board to establish a process by which an individual may open a CalAccount, which process shall be designed to maximize program participation.*

*(D) Would require the board to establish the mechanisms by which an accountholder may deposit funds into a CalAccount for no fee, which mechanisms shall include, but not be limited to, electronic fund transfers arranged through an employer's or hiring entity's payroll direct deposit arrangement and cash loading through in-network partners.*

*(E) Would require the board to establish the process through which an accountholder may elect to have a portion, up to the entirety, of the accountholder's paycheck or earnings due for labor or services performed directly deposited by electronic fund transfer into the accountholder's CalAccount.*

*(F) Would require the board to establish the process through which employers and hiring entities shall be required to remit through a payroll direct deposit arrangement each worker's elected payroll contribution to the worker's CalAccount in accordance with the worker's election.*

*(G) Would require the board to establish mechanisms by which an accountholder can withdraw funds from a CalAccount using a CalAccount debit card for no fee, which mechanisms shall include, but not be limited to, withdrawals through point-of-sale purchases using a CalAccount debit card and through cash withdrawals at a robust and geographically expansive network of participating ATMs, bank or credit union branches, and other in-network partners of designated financial institution partners.*

*(H) Would require the board to establish a process, available to all accountholders for no fee, through which an accountholder may arrange for payment to a registered payee using a preauthorized electronic fund transfer from a CalAccount.*

*(I) Would require the board to establish the process and terms and conditions for becoming a registered payee, which shall at a minimum require the payee's agreement to specified terms and conditions to be established by the board in exchange for the benefits of transparency and accountability afforded by participation in an automated payment system and which shall be designed to incentivize accountholders' preauthorized electronic fund transfers to registered payees and application of voluntary automatic disbursement rules by limiting the late payment fees and penalties that registered payees can impose on accountholders who pay them using preauthorized electronic fund transfers from their CalAccounts.*

*(J) Would require the board to establish voluntary automatic disbursement rules to assist an accountholder in managing automated payments to*

*registered payees based on the availability of funds in the accountholder's account, which an accountholder may voluntarily elect to apply or to stop applying to the accountholder's CalAccount at any time, and which shall be designed to maximize consumer protection and may include, but not be limited to, rules governing the prioritization and timing of payments, rules limiting payments to a percentage of funds available in the CalAccount, and rules limiting disbursement to designated registered payees only upon satisfaction of specified conditions of the CalAccount.*

*(K) Would provide that the board, in establishing processes for enrollment in the CalAccount Program:*

*(i) Shall facilitate the opening of a CalAccount by individuals who may not have federal or state government-issued photo identification while taking all reasonable steps to maintain the confidentiality of personal information consistent with all applicable law.*

*(ii) Shall design and establish rules governing the enrollment and participation in the program of individuals who do not have permanent housing.*

*(iii) May design and establish rules governing the enrollment and participation in the program of individuals who are under 18 years of age, including rules governing the opening of a CalAccount by a person who is at least 14 years of age without a cosigner or guarantor on the account consistent with all applicable law.*

*(L) Would require the board to select a program administrator, which may consist of one or more contractors or program staff or a combination thereof, whose duties shall include, but not be limited to, all of the following:*

*(i) Provide a secure internet web-based portal and mobile application through which individuals can enroll in the program and entities can become registered payees and through which accountholders can access and manage their CalAccounts, including their direct deposits, preauthorized electronic fund transfers to registered payees, and automatic disbursement rule elections.*

*(ii) Provide a method that enables employers and hiring entities to remit each worker participant's elected direct deposit payroll contribution to the worker's CalAccount in accordance with the worker's election.*

*(iii) Facilitate enrollment of accountholders in the program through coordination with government, employers and hiring entities, and nonprofit partners.*

*(iv) Facilitate and manage connectivity with other state and local government programs providing individuals with financial accounts to enable program accountholders to transfer funds between their CalAccounts and their other state-managed or locally managed accounts, as authorized by the board and in accordance with all applicable laws and regulations.*

*(v) Facilitate and manage connectivity with other state and local government agencies and entities to enable and streamline remittance of local, state, and federal benefit and public assistance payments and other disbursements to accountholders who are entitled to those payments and who authorize those payments to be directly deposited by electronic fund transfer into a CalAccount, as authorized by the board and in accordance with all applicable laws and regulations.*

*(M) Would require the board to contract with a financial services network administrator whose duties may include, but not be limited to, all of the following:*

*(i) Contract with, manage, and coordinate the financial services vendors for the program, which shall provide accountholders access to their CalAccounts and services provided in concert with at least one qualifying participating depository financial institution that meets the requirements established by the board.*

*(ii) Add additional participating depository financial institutions meeting the requirements established by the board, especially including qualifying credit unions and other local financial institutions, as program scope and scale permits, in accordance with the board's specifications as set forth in the contract between the board and the financial services network administrator.*

*(iii) Issue to each accountholder a secure debit card, or other secure means of access to the accountholder's CalAccount, which shall utilize current security and antifraud technology consistent with industry standards.*

*(iv) Provide a robust and geographically expansive financial services network of partners through which an accountholder can load or withdraw funds from a CalAccount using a CalAccount debit card, or other secure means of access to a CalAccount, for no fee, including ATMs, bank or credit union branches, and other in-network partners, minimize or eliminate out-of-network fees for accountholders, and ensure that accountholders are not charged out-of-network fees that are not reasonable and actually incurred by the program vendor.*

*(N) Would require the board to develop and negotiate a fair and equitable program fee and program revenue sharing structure between the state and*



*the financial services network administrator in furtherance of attaining a financially self-sustaining program, which agreement shall be reevaluated annually and renegotiated as appropriate based on program scope and scale.*

*(O) Would require an employer with more than 25 employees and a hiring entity with more than 25 independent contractors performing the same or similar labor or service, excluding the federal government, to do all of the following:*

*(i) Have and maintain a payroll direct deposit arrangement that enables voluntary worker participation in the program.*

*(ii) Deposit all wages and other payments due a worker that the worker has authorized to be directly deposited by electronic fund transfer into the worker's CalAccount in accordance with the worker's authorization.*

*(iii) Coordinate its payroll process with the program administrator's application program interface to facilitate accurate and seamless payment by direct deposit in accordance with the authorization of each worker participant.*

*(iv) Cooperate with the program administrator in providing all requested information available to the employer or hiring entity necessary for the opening and administration of a worker's CalAccount.*

*(v) Upon request of the administrator, provide additional forms or notifications to a worker.*

*(vi) Refrain from discharging, disciplining, threatening to discharge or discipline, or in any other manner retaliating or taking an adverse action against a worker or applicant because of the individual's participation or manner of participation in the CalAccount Program.*

*(P) Would require a landlord or a landlord's agent to allow a tenant to pay rent and deposit of security by an electronic funds transfer from a CalAccount, except as provided in paragraph (2) of subdivision (a) of Section 1947.3 of the Civil Code, and would provide that a landlord's, or a landlord's agent's, receipt of payment from a CalAccount pursuant to the requirements of the CalAccount Program shall not be considered a waiver of any right the landlord or landlord's agent may otherwise have to establish the base rent on, or to raise rent for, the rental unit.*

## **5.2. Potential Modifications to the CalAccount Program**

*(2) In considering the feasibility of implementing the CalAccount Program, as described in paragraph (1) [SOW section 5.1], the market analysis required by*

*this subdivision shall also include whether there are modifications to the CalAccount Program that can ease the implementation burdens.*

### **5.3. CalAccount Program Costs**

*(3) (A) The market analysis required by this subdivision shall also include whether or not CalAccount Program revenue is more likely than not to be sufficient to pay for CalAccount Program costs within six years of the CalAccount Program's implementation.*

*(B) The analysis required by this paragraph shall include detailed financial projections and key assumptions upon which the determination required by this paragraph relies.*

### **5.4. California's Unbanked Population**

*(4) The market analysis required by this subdivision shall also include an analysis of the population of California residents who are unbanked and the reasons they are unbanked.*

This analysis shall include the following:

- The impact of historical redlining on the unbanked and underbanked.
- Analysis of gender and racial disparities for the unbanked and underbanked populations.
- Impact on rural communities from the lack of access to financial institutions.
- Analysis of banking services and products offered in unbanked and underbanked communities, compared to those offered in bank-rich areas.
- Analysis of the geographic locations of the underbanked and unbanked.
- ChexSystems and its impact on the unbanked and underbanked.
- Current banks and prevalence of overdraft fees, minimum balance requirements, monthly fees.
- Prevalence of check cashing companies and the cost to workers.
- Survey the unbanked households and underbanked households to assess the range of obstacles to opening accounts faced by each community.

The 2021 FDIC National Survey of Unbanked and Underbanked Households (FDIC Survey) available at <https://www.fdic.gov/analysis/household-survey/index.html>, has been referred to in significant part to define the status and challenges of the unbanked and underbanked populations, and to cause the potential solutions proposed in AB-1177 to be studied and considered for possible further legislative

actions. A new FDIC survey with associated data may be released in 2023. The Contractor shall not rely exclusively on FDIC survey data and findings, but shall conduct its own survey. The Contractor's survey methodology shall be tailored to the California communities anticipated to be served by the CalAccount Program, and the survey methodology is expected to include more discrete survey elements, including but not limited to:

- California migrant communities in temporary housing, e.g., farmworkers; or households where all adults were working at a place of business other than home.
- Surveys in English and Spanish, and possibly other languages.
- Detailed reasons that a household is unbanked or underbanked. For example, household members who: are undocumented and are fearful of government or banking involvement; owe past child support, overdraft debts, or owe back taxes or unfiled taxes; are concerned about potential loss of public benefits; have income based on the underground economy.

The Contractor's survey shall capture detailed data related to the use of alternative means of financial transactions, including the rapid adoption of new financial technologies available to consumers via internet and mobile platforms, i.e., "fintech" alternatives to traditional banking. The Contractor shall identify the potential costs to consumers of using these fintech alternatives compared to traditional banking and compared to the potential use of the CalAccount Program at the anticipated levels of program engagement by low-income California communities (per section 5.11.1).

The Contractor shall significantly address these issues with appropriate research, so that any recommendations made in the Contractor's report can focus on the actual degree of costs, risks, and benefits offered to California's unbanked population by any solution studied.

### **5.5. Low-Cost or No-Cost Options**

*(5) The market analysis required by this subdivision shall also include an analysis of the low-cost or no-cost options of federally insured transaction accounts that are available or marketed to unbanked California residents.*

- This analysis of options, such as the BankOn program, shall include their risks, costs, effectiveness and scalability.

### **5.6. Program Alternatives**

*(6) The market analysis required by this subdivision shall also include an evaluation of all of the following:*

*(A) Alternatives to the CalAccount Program that the state could implement or enact that would accomplish the essential policy objectives, as described in subparagraph (A) of paragraph (1), of the CalAccount Program.*

*(B) The estimated risks and costs of alternatives evaluated pursuant to subparagraph (A).*

*(C) The expected effectiveness and scalability of alternatives evaluated pursuant to subparagraph (A).*

The market analysis shall also consider whether alternative programs already exist that, if similarly adopted by the State, could allow the State to accomplish the same or similar goals. For example, a statewide or State-sponsored BankOn program, or partnerships with a fintech company, (for example one similar to the City of Los Angeles's partnership with a fintech company to offer the Angeleno Connect bank account and debit Mastercard).

## **5.7. Recommendations**

*(7) The market analysis required by this subdivision shall also include recommendations for how the state can maximize the number of unbanked California residents who become banked at the lowest cost and risk to the state.*

## **5.8. Outreach Alternatives**

*(8) The market analysis required by this subdivision shall also include an analysis of relative advantages and disadvantages, compared to private sector alternatives, that the state may have in identifying, reaching, or persuading unbanked California residents to enroll in a state-administered banking program.*

## **5.9. Public-Private Partnership Governance**

*(9) The market analysis required by this subdivision shall also include recommendations related to the appropriate governance structure for a public-private partnership such as the CalAccount Program.*

The analysis shall include:

- Recommendations for collaborating with public, labor and NGO partners.

## **5.10. Costs, Benefits, and Impacts**

*(10) The market analysis required by this subdivision shall also include an analysis of costs, benefits, and impacts on all affected parties, including, but not limited to, landlords, employers, state government, low-wage workers, and consumers.*

The analysis shall include:

- The impact of CalAccount Program on low-income families, including:
  - Quantify savings through elimination of fees and penalties.
  - Quantify financial impacts of banking for unbanked Californians.
  - Accessibility of public benefits (Such as unemployment, GATE cards, etc.)
  - Timely and reliable access to paychecks (including electronic payment, ease of cashing paper checks.)
  - Longer term impacts tied to stable banking arrangements.
  - Low-income families have a need for automated banking services that are different from higher income households. In order to automate bill-pay or contributions when account balances fluctuate, electronic payments may need to be tied to income received rather than simply a regular recurring bill payment. For example, an account holder might want to donate to a religious organization when they get their paycheck, rather than on a set day of every month.
- The benefits to the state's economy (economic multiplier effect).
- An estimation of the reduction of the gender and racial disparities faced by the unbanked population if the CalAccount Program were created as provided for in AB-1177.
- The impact on rural communities
- Public safety e.g., not using cash
- Potential positive impact for banks:
  - Increase future customers
  - Increase opportunities for partnership with community banks, BankOn institutions, public banks
- Benefit disbursement: infrastructure benefits for government and residents, e.g., EDD, stimulus payments, etc.
- The market analysis shall look at the expected benefits to the accountholders of this program. The market analysis shall estimate the savings available to consumers, including those receiving public benefits or wages through paper warrants, who open a CalAccount as opposed to the use of check cashers. As another example, the market analysis shall look at how this program could help build credit for accountholders.

## 5.11. Important Considerations

*(c) The market analysis required by subdivision (a) shall consider all of the following:*

### 5.11.1. Number of Potential Accountholders

*(1) The number of potential accountholders.*

There may be a significant difference between the number of potential account holders and those that actually sign up for the service and retain active accounts over time. In its market analysis the Contractor shall forecast the actual number of users that will likely open and maintain an active CalAccount account each year during the first six years. The Contractor shall take into consideration the size and demographics of the California unbanked population, the actual reasons why this population is not banked, the trends of this population's use of nonbanking alternatives (including fintech), the effect of changes in the California economy (including by segment), and the degree that this population would sign up and use CalAccount services in lieu of other services.

### 5.11.2. Availability of Financial Institutions

*(2) The availability of qualified participating depository financial institutions.*

To better understand what characteristics a depository financial institution should have in order to participate in the CalAccount Program, the market analysis shall consider the following:

- Do current state and federal laws provide sufficient authority for respective credit unions to admit members for purposes of establishing a CalAccount?
- Would participating depository financial institutions already need to have a “robust and geographically expansive financial services network of partners”? (See Gov. Code, § 100104, subd.(a)(1)(M)(iv).)
- Based on discussions with financial institutions, discuss the willingness of such institutions to participate in the CalAccount Program.

### 5.11.3. Acceptability of Banking Products

*(3) Potential accountholders' comfort with various banking products.*

#### **5.11.4. Participation without a Photo ID**

*(4) How individuals without federal or state photo identification can participate.*

The market analysis shall consider the federal Anti-Money Laundering (AML) requirements to which banks and credit unions are subject. For example, banks and credit unions are required to have an AML compliance program, which includes implementing a written Customer Identification Program (CIP) appropriate for the institution's size and complexity. (See 31 C.F.R. § 1020.220) It is likely that most participating depository financial institutions' CIP require some type of government-issued photo identification. Because the CalAccount Program requires participating depository financial institutions to allow individuals to open accounts without federal or state government-issued photo identification, based on discussions with financial institutions, the market analysis shall address if and how an institution could change their CIP in a manner that would satisfy the requirements of not only the CalAccount Program, but also federal AML requirements, and also in a way that would minimize its risk of regulatory enforcement, fines, or legal action (e.g. whether the participating depository financial institutions can accept photo identification issued by municipalities).

#### **5.11.5. Potential Sources of Revenue**

*(5) Potential CalAccount Program revenue streams.*

The Contractor's analysis of potential revenue streams shall respond to paragraph (N) of Government code § 100104(1a)(1), in SOW section 5.1. The analysis could include consideration of revenue sharing arrangements.

#### **5.11.6. Competitors to the CalAccount Program**

*(6) The presence and effectiveness of private sector or nonprofit competitors to the CalAccount Program.*

The Contractor shall identify the extent to which all program functions defined in Exhibit A, section 5.1, *Feasibility of the CalAccount Program*, subsection (a)(1)(C) through (M), plus (P), are presently functions of existing California banks, credit unions, or commercial payroll services.

#### **5.11.7. State Fiscal Risk**

*(7) State fiscal risk from the CalAccount Program during economic downturns or economic shocks.*

### **5.11.8. Other Feasibility Considerations**

*(8) Any other factor the commission deems relevant to making the feasibility determination pursuant to paragraph (1) of subdivision (a).*

In determining the feasibility of implementing a CalAccount Program, the market analysis could consider factors similar to those considered when the Department of Financial Protection and Innovation reviews an application for a new bank or trust company. For example, based on the requirements of Financial Code sections 1022 and 1023, the analysis could evaluate the following factors:

- The program has a reasonable promise of success.
- The program capital structure or revenue streams are adequate.
- Those implementing the program have reasonable experience and ability to afford reasonable promise of successful operation (i.e., they will be able to successfully execute the business plan).
- Appropriate market analysis indicates there is a need for this particular program (or are existing programs adequate).

### **5.11.9. Risks and Costs**

*(9) The risks and costs of the CalAccount Program.*

In considering the risks and costs of the program, the Contractor shall also look at whether any of the administrative costs associated with this program could be shared by the State. For example, the market analysis could look at loan programs for businesses administered by California state entities to see if some costs are shared by the State.

### **5.11.10. Effectiveness and Scalability**

*(10) The expected effectiveness and scalability of the CalAccount Program.*

The market analysis shall look to other similar programs to evaluate the expected effectiveness of the CalAccount Program. The Contractor shall document what criteria the ABA and BankOn use to define “accessible” and shall independently assess BankOn accessibility to California’s unbanked population.

The market analysis shall also consider whether the effectiveness of the CalAccount Program depends on certain characteristics of the participating financial institutions. For example, should the financial institutions have branches or ATMs in specific parts of the state? Do they offer a way for a



CalAccount customer to access funds if the customer does not have access to a computer? Could those with a poor deposit account history still open an account at the financial institution?

Finally, the market analysis shall address who would be regulating the various aspects of the CalAccount Program, if implemented. For example, if the participating depository financial institution is state-chartered, would the Department of Financial Protection and Innovation have additional responsibilities in examining the institution's activity as it specifically relates to its CalAccounts? If it is a federally chartered financial institution, or an out-of-state financial institution, who performs those duties? Also, which entity would be responsible for determining whether the Program is no longer feasible?

Determine whether the CalAccount Program can be scaled up to effectively incorporate payment transactions from other State programs that disburse funds through paper checks or through other means.

#### **5.11.11. Impact of CalAccount on Existing Institutions**

*(11) The likely impact of the CalAccount Program on existing California depository institutions.*

The market analysis shall look at:

- Whether deposits can be used by the participating depository financial institutions in the same manner as the institution's current customer's deposits (e.g., for loans to others, etc.). (See Fin. Code, § 100104, subd. (a)(1)(N), (a)(3)(A), and (c)(5).)
- What, if any, fraud and abuse controls, or other requirements, would be expected from the participating depository financial institutions.
- Who would bear the financial burden for mitigating fraud and abuse.
- Whether the participating depository financial institutions would be required to maintain a certain number of ATMs or branches, or if these would need to be in specific geographic areas.
- Ways to minimize the risk of overdrafts on an account if the institution cannot impose overdraft fees.

As currently contemplated, the CalAccount does not appear to have any criteria of who can become a CalAccount holder. The market analysis shall

estimate the number of customers who currently have an account with a financial institution that may choose to instead open a CalAccount per year over a six-year period.

#### **5.11.12. CalAccount Network Administrators**

*(12) (A) The existence of possible financial services network administrators.*

*(B) If any possibilities include an out-of-state entity, the anticipated impact on California consumers, businesses, and financial institutions and how an out-of-state financial services network administrator could or should be regulated.*

## **6. SUPPORT FOR HEARINGS AND MEETINGS**

Pursuant to Government Code 100104, sections (b), (d), and (e):

*(b)(1) The commission shall contract with one or more independent entities with the appropriate expertise to conduct the market analysis required by subdivision (a). (2) A contract entered into pursuant to this subdivision shall require any entity conducting the market analysis to provide progress reports to, and receive feedback from, the commission at regular intervals or by request and be available to provide testimony and answer questions at any legislative hearings held within 12 months of the delivery of the market analysis to the Legislature.*

*(d)(1) Within 12 months of entering into a contract for the market analysis required by subdivision (a), the commission shall hold at least one public hearing to solicit input from members of the public. (2) A hearing, including input from members of the public, held pursuant to this subdivision shall be recorded and made available on the Treasurer's internet website consistent with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1).*

*(e)(1) The commission shall hold a public hearing to review the market analysis.*

As directed by the STO project manager, the Contractor shall support the Commission in the public and legislative hearings, and as requested at Commission meetings, by:

- Preparing presentation material in electronic format (e.g., Microsoft Word, PowerPoint, etc.), or to assist the STO or the Commission in preparing such material.
- Presenting in-person at the hearing or meeting the status of the project, including (but not necessarily limited to) the study methodology, the project schedule, any interim

findings, and project challenges and considerations; and verbally answering any questions from the public, from legislators or their staff, or from Commissioners.

- Following-up with the STO or the Commission in response to public or legislative hearings or Commission meeting.

At a minimum, two public hearings and one Legislative hearing are anticipated. The first public hearing is anticipated to be approximately six months into the study period. The second public hearing is expected to be soon after the Contractor's Draft Report is submitted and may occur during a Commission meeting. The Legislative hearing is anticipated to be after the Contractor's Final Report is submitted. Additional public or legislative hearings or Commission meetings may occur, and at the STO project manager's direction, the Contractor may be required to provide support at any of those additional hearings and meetings.

All direction by the STO project manager for hearing and meeting support shall be preceded by verbal communication between the STO and Contractor project managers, and confirmed in writing by the STO project manager via email.

## **7. DELIVERABLES**

All final deliverables accepted by the STO or the Commission shall become the property of the State, and shall not be marked "Confidential," "Proprietary," "Trade Secret," or similarly marked. All draft and final deliverables shall be provided to the STO project manager in both electronic format and paper, with the draft and final reports in twenty bound paper copies. No deliverable shall be encrypted or password protected, but shall be fully accessible upon receipt. All final deliverables shall be deemed public records and shall be available to the public.

The STO project manager reserves the right to reject all final deliverables, and to request corrections. The STO project manager shall accept or reject final deliverables within seven (7) calendar days of delivery by the Contractor. If a written notice of rejection or a request for corrections is not issued by the STO project manager within the seven days, the final deliverable shall be deemed accepted. If not accepted, the Contractor shall have five (5) calendar days to make the necessary corrections and to resubmit the final deliverable to the STO project manager, unless some other time period is identified in the STO project manager's notice.

Deliverables under this Agreement include the:

- Draft Work Plan
- Final Work Plan
- Draft Report

- Final Report

## 7.1. Draft and Final Work Plans

The Contractor's draft Work Plan submitted with its proposal in response to STO RFP SA000004-23 shall be the Contractor's initial draft Work Plan for this Agreement. The Contractor will confer with the STO project manager regarding the Work Plan and shall refine and update the plan with improvements. Within seven (7) calendar days of Contract execution, the Contractor shall submit the updated Draft Work Plan to the STO project manager for review and approval. Within five (5) calendar days after receiving feedback from the STO project manager, the Contractor shall further update the plan as requested, and shall submit it to the STO project manager as the Final Work Plan deliverable.

The Contractor shall update the Final Work Plan throughout the term of the Agreement to reflect changes agreed upon by the STO and Contractor project managers, or as have actually occurred. The topics of each substantive change made after acceptance of the Final Work Plan shall be listed in a table of changes that identifies the date of the change, the topic, and the location in the Work Plan where the change occurs. With each update to the Final Work Plan, the document shall reflect its version number and date.

## 7.2. Draft Report

The Contractor's Draft Report of the feasibility of the CalAccount Program as described in this Exhibit A's section 5, *Market Analysis and Report*, and as further supplemented by the Contractor's proposal in response to STO RFP SA000004-23, shall be a full and complete report. The Draft Report is expected to be a detailed and extensive work product. It shall include:

- An Executive Summary.
- A Table of Contents.
- A description of the Contractor's study methodology.
- Identification of all assumptions in the Contractor's study, analysis and report, and the basis for each assumption, i.e., on what was the assumption based.
- The Contractor's assessment of the validity of all data used by the Contractor in its study and analysis, and the basis of that assessment. Validity can be shown as a percentage of confidence in the accuracy of the data elements.
- A listing of all relevant sources and references used by the Contractor in its study, analysis and report.

- A table that cross references each SOW element identified in this Exhibit A's section 5 with the location(s) in the Report where the SOW element is addressed.

It shall be the prerogative of the Contractor to determine how to organize its report, including which of the above items to place in appendices, and which and where to include within the body or context of the report itself.

The Contractor's Draft Report shall be submitted to the STO project manager not later than April 8, 2024. The STO project manager shall deliver the Draft Report to the Commission, and upon delivery the Draft Report shall be made public.

### **7.3. Final Report**

The Commission will schedule a public hearing for review and comment on the Draft Report. The Contractor shall support this public hearing as described in SOW section 6.

The Contractor shall also be available to respond to requests of the STO to meet and answer questions about the report, and to present and discuss key findings and recommendations.

The Contractor shall have full discretion to modify or add to its submitted Draft Report based upon input from the public, from the Commission or Commissioners, and from the STO, and also based on any further research and analysis that it may choose to undertake.

The Contractor shall update its Draft Report per its discretion and submit the report as a Final Report to the STO project manager on May 13, 2024.

The Final Report shall include or be accompanied by a table of all input received since the Contractor's submission of the Draft Report (including at hearings and in discussions), and to what extent the input was incorporated into the Final Report, and if not, the reason for not including it. An additional table of changes shall identify the topics of each substantive change to the Draft Report and name the location in the Final Report where the change occurs.

At the direction of the STO project manager, the Contractor may be required to support additional hearings, presentations or discussions about the Draft and Final Reports per SOW section 6.

## **8. PROJECT MANAGEMENT**

### **8.1. Management of Deliverable Due Dates**

The deliverable due dates indicated in this SOW's section 7, *Deliverables*, et seq. may be changed by mutual written consent of both the STO and Contractor project managers. Such changes in deliverable due dates shall be considered a contractual administrative function, and shall not require a formal amendment of the Agreement.

### **8.2. Communications**

The STO expects the Contractor to foster a close and collaborative working relationship with the STO and the Advisory Committee (described in section 8.3, below). The Contractor shall be available to meet with the STO and the Advisory Committee at the STO's location at any time during the term of the Agreement, to present and discuss project status, methodology, project risks, analysis, interim findings, etcetera. Such meetings may be held at the request of either the STO project manager, or at the request of the Contractor's project manager.

It shall be the responsibility of the Contractor's project manager to promptly notify the STO project manager of any significant project risks or issues, and to discuss those risks and their potential and agreed-upon mitigations. The Contractor shall document all project risks and issues in a risk log, available to the STO project manager.

### **8.3. Advisory Committee meetings**

To encourage collaborative benefits from a close working relationship with the Commission and the STO during the project, the STO will establish a small Advisory Committee (e.g., 4 to 6 people) that will meet in-person regularly, e.g., monthly, with the Contractor to discuss project status, working methodology, project risks, analysis, interim findings, etcetera. Advisory Committee meetings shall be held in Sacramento. The scheduling and locations of the meetings shall be the responsibility of the STO project manager. Advisory Committee meetings are not expected to continue after the Contractor's Final Report is accepted by the State. The STO project manager shall be a member of the Advisory Committee. The Contractor's project manager shall attend all Advisory Committee meetings, and may include other Contractor key personnel as appropriate to the topics to be discussed.

The Contractor shall plan for and facilitate the Advisory Committee meetings. The Contractor shall consider the Advisory Committee to be an informed resource of working ideas, draft document reviews, discussions, feedback, and suggestions. The Contractor shall be free to use whatever information comes from such meetings to

the extent it believes helpful. The Advisory Committee shall not have the authority to require changes or directions that the Contractor must take. The Contractor shall not be required to document the Advisory Committee meetings, but shall present meeting agendas. Advisory Committee members shall be able to add discussion topics to any meeting agenda.

The Contractor shall manage its communications with the advisory committee members, including the sharing of any working papers, per the direction of the STO project manager.

#### **8.4. Project Dashboard**

The Contractor shall create and maintain an online project dashboard available to the STO, the Commissioners, and the Advisory Committee members. The dashboard shall include:

- A project status report, including an executive summary of the status of all major study activities.
- A detailed project schedule, showing dates and progress of tasks.
- Project risks and issues, including impact and mitigations.
- A project budget showing the usage of the contract funds which are allocated for use to the delivery of the Final Report, and the amount of usage after the Final Report until the end of the Agreement.
- A monthly progress report that coincides with the billing period. This monthly report shall provide a summary description of the work performed during the month, difficulties encountered, remedial actions, and a statement about the work to be undertaken during the following month.

The project dashboard shall be updated at least weekly, except that the budget and monthly progress report portions only need to be updated at least monthly in association with the submission of the Contractor's monthly invoices.

#### **8.5. Contractor Key Personnel**

The Contractor's project manager is expected to be a senior member of the Contractor's staff, dedicated full-time to the project at least until the Contractor's Draft Report is submitted. The Contractor's project manager will be the Contractor's primary point of contact for the project and so identified in this Exhibit's section 2, *Project Representatives*.

All Contractor key personnel identified in its proposal in response to STO RFP SA00004-23, whether employed by the Contractor or by its subcontractors, shall be assigned to the project as proposed. Additional key personnel may be added via a

request by the Contractor's project manager to, and approval by, the STO project manager. Such requests must include:

- The reason for the addition.
- A description of the person's project role.
- A description of the person's relevant experience, expertise and education.
- Identification of the person's employer.
- The number of hours anticipated to be worked, and whether any of those hours are anticipated to be offset by a reduction in other key personnel hours.
- The individual's hourly billing rate.
- A copy of the person's resume.

The hourly billing rate shall not exceed that of similarly experienced and skilled project personnel in similar or equivalent project roles.

All new key personnel must be approved in writing by the STO project manager. The STO project manager reserves the right to interview the candidate prior to authorizing or denying approval. The STO project manager has sole discretion to approve or deny the candidate, including the determination of whether the individual has the necessary experience, expertise, or skills for the project role to be assigned and at an appropriate hourly billing rate. Once a key personnel has been added to the project, the individual cannot be unilaterally removed by the STO project manager, except in lieu of contact termination as otherwise stated in this Agreement, e.g., CCC (04/2017) paragraph 1, *Conflict of Interest*, or Exhibit D, *Special Terms and Conditions*, section 32, *Compliance with Political Reform Act*.

If the addition of a key personnel individual to the project is intended to replace key personnel named in the Contractor's awarded proposal in response to STO RFP SA000004-23, or to replace an individual that has been working on the project:

- The replacement must meet or exceed the qualifications of the originally proposed person if the replacement is for the same project role, as solely determined by the STO project manager.
- The Contractor shall be responsible for transferring pertinent project knowledge from the replaced individual to the new individual. The Contractor shall not invoice any hours spent on bringing the replacement individual up to date, i.e., for knowledge transfer.

The addition of key personnel to the project shall be considered a contractual administrative function, and shall not require a formal amendment of the Agreement.



However, the addition of a new subcontractor will require an amendment to the Agreement.

Also refer to Exhibit D, *Special Terms and Conditions*, section 15, *Key Personnel*, and section 16, *Changes in Control, Organization or Key Personnel*.