

ASSEMBLY BILL 857 (CHIU & SANTIAGO)

PUBLIC BANKING ACT

SUMMARY

This bill would allow a local government to apply for a banking charter from the Department of Business Oversight (DBO) to establish a public bank.

BACKGROUND

Public banks are financial institutions that are owned by one or more public entities, such as a city, county, or joint powers authority. They can invest, lend, and provide banking services to the local community, and can partner with local financial institutions.

Unlike a privately owned bank, which prioritizes shareholder returns, public banks leverage their deposit base and lending power to benefit the public. This allows public banks to focus on pressing local needs, like affordable housing, small business loans, and public infrastructure projects such as rebuilding after wildfires. A public bank's decisions may consider the needs of the community, and leverage public funds to meet those needs at a lower cost than the private sector.

Established by the North Dakota legislature in 1919, the Bank of North Dakota (BND) is the oldest publicly owned bank in the United States. BND, in partnership with local banks and credit unions, promotes economic development within the state and has been profitable for many years. Recently, several states and cities across the nation have started exploring the feasibility of creating public banks.

THE PROBLEM

California does not have any public banking options. As a result, many California local governments must hold their assets with large out-of-state commercial banks, which are oftentimes the only option for governments with larger budgets. Private banks frequently charge local governments large fees to hold their deposits and perform their cash management services.

Additionally, billions of taxpayer dollars are invested with commercial banks that have little incentive to use their assets for the betterment of the local community. Many of these private commercial banks engage in practices that could be seen as inconsistent with the values of California communities, such as engaging in predatory lending practices, funding private prisons and detention centers, and extracting fossil fuels in environmentally unsustainable ways.

THE SOLUTION

AB 857 provides more local control, transparency, and self-determination in how local taxpayer dollars are leveraged in the banking system by allowing local government to charter their own public banks. These public banks would have oversight by the DBO and a separate, professional board. In contrast to profit-driven commercial banks, the public bank's board of directors will have a fiduciary duty to protect taxpayers' assets.

AB 857 also requires partnerships between a public bank and existing local financial institutions to provide retail services, enabling public banks to provide affordable loans and lines of credit to local businesses and nonprofits, and increase the lending capacity of the local banking system.

By creating a public bank, taxpayer money will be held by an insured financial institution that measures its return on investment not only by profits, but also by its success in supporting communities.

SUPPORT

California Public Banking Alliance [SPONSOR]
American Federation of State, County and Municipal Employees (AFSCME) Council 57
Alliance for Community Transit, Los Angeles (ACT-LA)
Alliance of Californians for Community Empowerment (ACCE) Action
American Indian Movement SoCal
Asian Pacific Environmental Network
Backbone Campaign
Beneficial State Foundation
California Democratic Party Delegates
California Environmental Justice Alliance (CEJA)
California Faculty Association, San Francisco State University
California Labor Federation
California Native Vote Project
California Nurses Association (CNA)
California Progressive Alliance
California Reinvestment Coalition
Campaign for Sustainable Transportation, Santa Cruz
Center for Community Action and Environmental Justice
Center for Farmworker Families
City and County of San Francisco
City of Berkeley Mayor Jesse Arreguin
City of Los Angeles
City of Oakland
City of San Jose
Coleman Advocates for Children and Youth
Commonomics
Communities for a Better Environment
Community Financial Resources
Cooperation Humboldt, Eureka
Courage Campaign
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Democratic Party of the San Fernando Valley (DPSFV)
Democratic Socialists of America, Los Angeles (DSA-LA)
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Fossil Free California
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Green Party of California
Green Party of Santa Clara County
Healthcare for All - California
Hollywood NOW
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Idle No More – San Francisco Bay
Indivisible, CA-33
Indivisible California Green Team
Indivisible California: StateStrong
Indivisible East Bay

Indivisible Los Angeles, CA-43
Lawyers' Committee for Civil Rights of the San Francisco Bay Area
Local Clean Energy Alliance
Los Angeles County Democratic Party (LACDP)
Media Alliance
McGee-Spaulding Neighbors in Action
NAACP, Santa Cruz Chapter
National Nurses United
Orange County Poor People's Campaign
Our Revolution Long Beach
Peace and Freedom Party
People for Public Banking – Santa Cruz
People Organizing to Demand Environmental and Economic Rights (PODER)
Progressive Asian Network for Action
Public Bank East Bay
Public Bank Los Angeles
Public Bank San Diego
Public Bank Santa Barbara
Public Banking Institute
Resistance – Northridge, Indivisible
Revolution Los Angeles
San Francisco Berniecrats
San Francisco Living Wage Coalition
San Francisco Public Bank Coalition
San Francisco Rising
Santa Cruz Climate Action Network
Santa Cruz for Bernie
Service Employees International Union (SEIU) California
SoCal 350 Climate Action
South Bay Progressive Alliance
South Beach District 6 Democratic Club of San Francisco
Sunrise Movement – Bay Area
Sunrise Movement – Los Angeles
Sustainable Economies Law Center
United Educators of San Francisco
United Food and Commercial Workers (UFCW) Local 5
United Food and Commercial Workers (UFCW) Western States Council
We the People - San Diego County
Women's International League for Peace and Freedom
350 Bay Area Action
350 Conejo / San Fernando Valley
350 Riverside
350 Santa Cruz
350 Silicon Valley
350 South Bay Los Angeles