



California Public Banking Alliance
californiapublicbankingalliance.org

Los Angeles
San Francisco
East Bay
Santa Rosa
Silicon Valley/South Bay

Santa Barbara
San Diego
Santa Cruz
Orange County
Eureka

Public Banking and California Credit Unions and Community Banks

AB 857 increases access to capital, credit and support for California Credit Unions and Community Banks

What is AB 857? AB 857 is a 2019 session bill co-authored by Assembly members David Chiu (San Francisco) and Miguel Santiago (Los Angeles) which will allow local governments to apply for a banking charter from the Department of Business Oversight, to create state-chartered banks. AB 857 defines public banks as banks that are wholly-owned by a local government, joint powers authority or special district. These public banks are not permitted to have private shareholders. AB 857 does not create a bank; rather, it creates a pathway for cities, counties and regions to form their own banks.

Shared Ethos. Shared Purpose. Credit Unions are owned by their financial customer members, not private shareholders. Customers join because they know that their credit union or community bank is focused on providing them the best services, not on maximizing profits for distant shareholders. Public banks are owned by local public agencies, not by private shareholders. Public banks put the interests of local agencies and local communities first.

Keep public dollars local. Public Banks enable local governments to ensure that local tax and fee revenues are banked locally. Public banks will increase the flow of public deposits going to local financial institutions. As wholesale banks, public banks will support credit unions and community banks by participating in loans, providing them credit, purchasing their mortgages and cooperating in other ways that make more capital available to them.

AB 857 prohibits public banks from competing with credit unions and community banks. AB 857 requires that retail services provided by a public bank be conducted in partnership with local financial institutions. Moreover, AB 857 specifically prohibits public banks from providing competing retail banking services if a community bank or credit union located in California is providing that service in the public bank's jurisdiction.

AB 857 builds on the Bank of North Dakota partnership model. In North Dakota, where the Bank of North Dakota (BND), a state-owned bank is celebrating its centennial, there are six times more local financial institutions per capita than the rest of the country. Nationwide, locally-owned small and mid-sized banks and credit unions (those under \$10 billion in assets) account for only 29 percent of deposits, **but in North Dakota they have a remarkable 83 percent of the deposit market.** This is because BND functions mainly as a "banker's bank" — meaning that most of its lending is done in partnership with local banks and credit unions. About half of the bank's \$3.9 billion loan portfolio consists of business and agricultural loans that are originated by a local financial institution and funded in part



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by BND. By participating in these loans, BND expands the lending capacity of North Dakota's credit unions, giving them added strength in competing against big out-of-state banks. [See Institute for Local Self-Reliance.](#)

Public banks will provide credit unions and community banks with opportunities for lending towards local priorities. Public banks will provide an opportunity for credit unions and community banks to participate in locally-determined financing opportunities such as: rebuilding after natural disasters, local infrastructure including roads, parks, schools and renewable energy projects, affordable housing projects, and small business lending.

Public Bank Advocates are credit union members and community bank customers. Many members of the California Public Banking Alliance are members and directors of credit unions across the entire state, from San Diego to Eureka. They have also written letters of support for credit unions when there was a need to protect the tax-exempt status of credit unions. They have deposited their funds where they believe they will do the greatest good: in local financial institutions.

We are asking all California credit unions and community banks to endorse AB 857 by filling out an Endorsement Form, available here:

<https://docs.google.com/forms/d/1QefLpR-V PNnTE4TRbyGzd5 krLDNfmVl-Iy6ZessU/edit?ts=5cca618c>

The bill language is accessible at this link:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB857

If you have questions please email: calpba@gmail.com or sjacob@lccrsf.org