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. With AB 857 we have the opportunity to build a socially and environmentally responsible banking system, enabling cities and counties in California to recapture public dollars and reinvest in our local communities.

**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.

A great example of how public banks can finance the green energy revolution is the German Sparkassen, a network of 400 municipal public banks in Germany responsible for financing over 70% of their green energy transition. Public banks were integral in financing renewable energy installations and energy efficiency retrofits.

Rep. Alexandria Ocasio-Cortez incorporated public banks as a way to finance the Green New Deal. Local and regional public banks can make low-interest loans for building and upgrading infrastructure, deploying clean energy resources, transforming our food and transportation systems to be more sustainable and accessible, and other projects.

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**The Problem—Business as Usual is Broken**

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 cities and regions with larger budgets. Billions of taxpayer dollars are invested with commercial banks that have little incentive to use their assets for local community improvement.

Private megabanks use public funds to finance environmentally destructive projects like fossil fuel infrastructure and tar sands offshore drilling. Many commercial banks engage in practices that could be seen as inconsistent with the values of California communities. In the two years since the Paris Agreement, big banks have financed risky, dead-end fossil fuel investments with $1.9 trillion.

Since 2007, as a result of the crisis, nine million jobs were lost, and nearly ten million families lost their homes to foreclosure as the result of mortgages rooted in unscrupulous banking practices, destroying their credit and leaving many without a place to live. Low-income areas and communities of color were disproportionately affected by these practices.

**The Solution—How Public Banks Support GND**

AB 857 provides more local control, transparency, and self-determination in how local taxpayer dollars are leveraged in the banking system by allowing local governments to charter their own public banks. This local control can mandate 21st century solutions to 21st century problems—such as financing green technologies enabling cities and counties to transition to a clean energy economy, as well as public infrastructure to address growing pressures of flood and fire in California. Public banks could provide resources to affordable housing development and serve to re-finance student loans.

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.

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. By creating a public bank, taxpayer money can be leveraged to support our communities by investing in the transition to environmentally sustainable and energy efficient local economies.