



California Public Banking Alliance
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Los Angeles
San Francisco
East Bay
Santa Rosa
Silicon Valley/South Bay

Santa Barbara
San Diego
Santa Cruz
Orange County
Eureka

Public Banking Supports California Credit Unions

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

What is AB 857? The Public Banking Act, AB 857, co-authored by Assemblymembers David Chiu (San Francisco) and Miguel Santiago (Los Angeles), allows local governments to create state-chartered public banks by applying for a banking charter from the Department of Business Oversight. AB 857 defines public banks as banks that are wholly-owned by a local agency or a joint powers authority. These public banks are not permitted to have private shareholders. AB 857 does not create a bank, 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 is focused on providing them the best services, not on maximizing profits for distant shareholders. *We use credit unions for many of the same reasons we support public banks, including a desire to divest funds from Wall Street banks.*

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 by participating in loans, providing them credit, purchasing their mortgages and cooperating in other ways that make more capital available to credit unions.

AB 857 prohibits public banks from competing with credit unions. Public banks under AB 857 are not allowed to provide competing retail banking services if a community bank or credit union is providing that service in the public bank's jurisdiction. Additionally, AB 857 encourages partnerships between public banks and local financial institutions to improve and expand retail services.

AB 857 builds on the Bank of North Dakota partnership model. North Dakota has six times more local financial institutions, including credit unions, than the rest of the country, per capita. These credit unions and community banks hold a remarkable **83% of North Dakota's deposit market**, compared with only 29% nationwide. Their success is bolstered by a public bank. The 100-year-old, state-owned Bank of North Dakota (BND) functions mainly as a "banker's bank," meaning that most of its lending is done in partnership with credit unions and local banks. About half of BND's \$3.9 billion loan portfolio consists of business and agricultural loans that are originated by a local financial institution and funded in part by BND. By participating in these loans, BND expands the lending capacity of



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North Dakota's credit unions, helping them to compete against big out-of-state banks.

Source: Institute for Local Self-Reliance, <https://ilsr.org/rule/bank-of-north-dakota-2/>

Credit unions can partner with public banks to fund local priorities, including rebuilding after natural disasters, small business lending, affordable housing, renewable energy, public transit, schools, roads, parks, and other infrastructure. AB 857 can increase the role of credit unions by providing new sources of funding. Credit unions can also partner with public banks to improve services to unbanked and under-banked populations.

Public Bank Advocates are credit union members. Members of the California Public Banking Alliance are members and directors of credit unions across the entire state, from San Diego to Eureka. Many write letters of support for credit unions when there is a need to protect the tax-exempt status of credit unions. We deposit our personal funds where we believe they will do the greatest good, and we support AB 857 because it will allow our city governments to do the same.

Credit unions and public banks both support tax free status for not-for-profit financial institutions. The California Bankers Association and the American Bankers Association recently launched an attack on credit unions claiming they “don't pay federal income taxes” yet are “deepening economic inequality.” Public banking supporters fully support credit union exemption from federal taxation.

AB 857 includes safeguards to protect public funds. Public banks under AB 857 are required to obtain FDIC insurance and are subject to the same collateralization requirements as commercial banks. Bank formation requires a charter from the Department of Business Oversight (DBO). Given that over 500 American commercial banks have failed since year 2007, public banks may be a safer alternative for holding municipal funds.

An Invitation! We invite all California credit unions to endorse AB 857 by filling out an Organization Endorsement Form, available here: bit.ly/AB857creditunions

The bill language and more information is available here: bit.ly/AB57facts

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