

# **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]  
Active San Gabriel Valley - Active SGV  
American Federation of State, County and Municipal Employees (AFSCME) California  
American Federation of State, County and Municipal Employees (AFSCME) Council 57  
American Postal Workers Union (APWU), AFL-CIO  
Alliance for Community Transit - Los Angeles (ACT-LA)  
Alliance of Californians for Community Empowerment (ACCE) Action  
Alliance for Democracy  
American Federation of Teachers (AFT) CFT/AFT, AFL- CIO, Local 1931  
American Federation of Teachers (AFT) CFT/AFT, AFL- CIO, Local 2121  
American Indian Movement (AIM) SoCal  
Asian Pacific Environmental Network  
Backbone Campaign  
Beneficial State Foundation  
Beverly-Vermont Community Land Trust (BVCLT)  
Bolin Community Land Trust  
California Community Land Trust Network (CACLTN)  
California Democratic Party  
California Democratic Party Delegates - 550 Delegates  
California Environmental Justice Alliance (CEJA)  
California Faculty Association, San Francisco State University (SFCSU)  
California for Progress  
California Labor Federation  
California Native Vote Project  
California Nurses Association (CNA)/ National Nurses United (NNU), AFL-CIO  
California Progressive Alliance  
California Reinvestment Coalition  
California State Board of Equalization - Chair, Malia Cohen  
Campaign for Sustainable Transportation - Santa Cruz  
Center for Community Action and Environmental Justice (CCA EJ)  
Center for Farmworker Families  
City and County of San Francisco  
City of Berkeley  
City of Eureka  
City of Huntington Park  
City of Long Beach  
City of Los Angeles  
City of Oakland  
City of Richmond  
City of San Diego  
Coleman Advocates for Children and Youth  
Committee for Better Banks  
Commonomics USA  
Communities for a Better Environment  
Community Financial Resources  
Consumers for Auto Reliability and Safety (CARS)  
Cooperation Humboldt – Eureka  
Cooperative Center Federal Credit Union

County of Santa Clara  
County of Santa Cruz  
Courage Campaign  
Democracy Collaborative  
Democratic Party of San Fernando Valley (DPSFV)  
Democratic Socialists of America – Los Angeles (DSA-LA)  
Divest LA  
Feminists in Action  
Fossil Free California  
Friends of Public Banking Santa Rosa  
Friends of the Earth  
Green Party of California  
Green Party of Santa Clara County  
Greenpower  
Healthcare for All - California  
Hollywood NOW  
Housing and Economic Rights Advocates  
Hubert H. Humphrey Democratic Club  
Humanity First Coalition  
Idle No More - San Francisco Bay  
Indivisible Alta Pasadena  
Indivisible CA-33  
Indivisible California Green Team  
Indivisible California: StateStrong  
Indivisible East Bay  
Indivisible Los Angeles CA-43  
Indivisible San Jose  
Indivisible Sonoma County  
Indivisible South Bay  
Lakota People's Law Project  
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  
Monterey Bay Central Labor Council (MBCLC), AFL-CIO  
National Nurses United (NNU)  
North Bay Labor Council (NBLC), AFL-CIO  
NAACP - Santa Cruz  
Oakland Educators Association  
Orange County Green Party  
Orange County Poor Peoples' Campaign  
Orange County Racial Justice Collaborative  
Our Green Challenge  
Our Revolution - National  
Our Revolution Long Beach  
Our Revolution Los Angeles  
Peace and Freedom Party  
People for Public Banking Santa Cruz  
People Demanding Action  
People Organizing to Demand Environmental and Economic Rights (PODER)  
People's Democratic Club of Santa Cruz County  
Progressive Asian Network for Action (PANA)

Public Bank East Bay  
Public Bank Los Angeles  
Public Bank San Diego  
Public Bank Santa Barbara  
Public Banking Institute (PBI)  
Resist - Northridge, Indivisible  
Revolution Los Angeles  
Romero Institute  
Rooted in Resistance  
San Francisco Berniecrats  
San Francisco Living Wage Coalition  
San Francisco Public Bank Coalition  
San Francisco Rising  
Santa Cruz Climate Action Network  
Santa Cruz County Democratic Central Committee  
Santa Monica Democratic Club  
Service Employees International Union (SEIU) California  
SoCal 350 Climate Action  
Sonoma County Climate Action Network  
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  
The Future Left  
United Educators of San Francisco  
United Food and Commercial Workers (UFCW) Local 5  
United Food and Commercial Workers (UFCW) Western States Council  
Urban Habitat  
Women's International League for Peace and Freedom  
We The People - San Diego  
Wellstone Democratic Renewal Club  
Windsor Democratic Club  
YIMBY Democrats of San Diego County  
350 Bay Area Action  
350 Butte County / Chico 350  
350 Conejo / San Fernando Valley  
350 Riverside  
350 Santa Cruz  
350 Silicon Valley  
350 Sonoma  
350 South Bay Los Angeles