

AB 310 (Santiago, Chiu)

California State Public Bank

Bill Summary

AB 310 paves the way for a California state public bank by expanding the lending capacity of the State's Infrastructure Bank (IBank) and converting it into a depository public bank to facilitate a more equitable economic recovery.

Existing Law

The IBank was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. The IBank is located within the Governor's Office of Business and Economic Development and is governed by a five-member Board of Directors. (Government Code Sections 63000-63089.98).

The State Treasurer invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities through the Pooled Money Investment Account (PMIA). The PMIA has three primary sources of funds: the State general fund; special funds held by State agencies; and moneys deposited by cities, counties and other entities into the Local Agency Investment Fund (Government Code sections 16430 and 16480.4).

Background

The COVID-19 pandemic has revealed the inadequacy of our current financial system to meet the credit needs of local governments and to serve our most disenfranchised populations. Currently, most federal relief funds are going to large corporations and not to working-class and

middle-class households or small businesses. California's local governments are projecting devastating revenue shortfalls due to the pandemic and will be forced to cut critical services such as schools, food programs and public health, which will disproportionately harm communities of color.

In 2019, the people of California passed the Public Banking Act, empowering cities and regions to create their own banks. A public bank is a financial institution owned by the state, cities, counties, or joint powers authorities. Its deposit base consists primarily of tax revenues and fees, which it leverages to issue loans, just like any bank. Unlike private banks, however, the interest paid to and profits earned by a public bank return to the community. Public banks can provide a long-term source of stable financing for local governments, redirect investment funds into the state economy, and lay the foundation for resilient growth.

Need for AB 310

Most states, like California, have seen a massive drop in the number of community banks and credit unions, forcing individual and business depositors into Wall Street banks. These private banks are reaping exorbitant profits from the pandemic at the taxpayer's expense. For example, banks handling the federal government's \$349 billion loan program for small businesses made more than \$10 billion in fees — even as tens of thousands of small businesses were shut out of the program.

Moreover, Californians pay billions per year in interest to private banks as nearly 50% of the cost of all state infrastructure projects goes towards paying interest and fees.

To establish a state public bank in California, AB 310 will:

1. Reallocate idle money from the state's "checking account" into the IBank by moving 10% of California's PMIA into the IBank's loan fund. This will provide the IBank with the resources it needs to send emergency aid immediately to local governments and small businesses.
2. Convert the IBank into a depository public bank capable of receiving deposits from state and local sources as well as leverage its capital to provide favorable loans. This money will be directed towards the most impacted parts of our economy: local governments, schools, affordable housing, locally-owned renewable energy, small businesses, and low-income communities of color.

By converting the existing IBank into first a revolving loan fund and then a depository public bank, California will be able to direct greater resources towards its most pressing investments. A California state public bank will keep money local by reinvesting profits back into the community, create jobs for constituents by lending to small businesses at reasonable rates, and provide local governments with a stable source of financing.

Support

California Public Banking Alliance (Co-sponsor)
California Reinvestment Coalition (Co-sponsor)
UFCW Western States Council (Co-sponsor)
Abundant Housing Los Angeles
Active San Gabriel Valley

Alliance for Just Recovery
Alliance for Community Transit Los Angeles
American Federation of Teachers Guild, Local 1931
Asian Pacific Environmental Network
Asian Pacific Islander Small Business Program
Beneficial State Foundation
Brilliant Corners
California Alliance for Community Energy
California Community Economic Development Association
California Environmental Justice Alliance
California Progressive Alliance
California State Board of Equalization
CEJA Action
City of Benicia
City of Berkeley
City of Long Beach
Coastal Commons Land Trust
Committee for Better Banks
Communities for a Better Environment
Communities United for Health and Justice
Consumers for Auto Reliability and Safety
Corporation Humboldt
County of San Francisco
County of Santa Barbara California
Democracy Collaborative
Democratic Socialists of American-San Diego
East Los Angeles Community Corporation
Esperanza Community Housing Corporation
Feel the Bern/San Fernando Valley Democratic Club
Fossil Free California
Foster City
Friends of the Earth
Friends of Public Banking Santa Rosa
Green Party of California
Green Party of Monterey County
Green Party of Santa Clara County California
Haven Neighborhood Services
Inclusive Action for the City
Indivisible California Green Team
Indivisible California: State Strong
LA Ford

Lawyers' Committee for Civil Rights of the San Francisco Bay Area
Local Clean Energy Alliance
Los Angeles County Federation of Labor
McGee-Spaulding Neighbors in Action
Mission Economic Development Agency
Mission Street Neighbors
Monterey County Democratic Central Committee
North Bay Jobs with Justice
North Bay Labor Council
North Coast People's Alliance
Oakmont Democratic Club
People for Public Banking
PODER
PolicyLink
Praxis Peace Institute
Public Bank East Bay
Public Bank Long Beach
Public Bank Los Angeles
Public Bank San Diego
Public Bank Santa Barbara
Public Bank SGV
Public Banking Institute
Public Law Center
Richmond LAND
Romero Institute
San Francisco Public Bank Coalition
San Francisco Rising
Santa Barbara County Board of Supervisors
Santa Cruz Climate Action Network
Santa Cruz County Board of Supervisors
SEIU California
Sonoma County GO LOCAL
South Bay Progressive Alliance
Sunrise Movement
Sustainvest Asset Management
The Greenlining Institute
UFCW Local 5
UFCW Local 770
United Food and Commercial Workers Union
Windsor Democratic Club
YIMBY Democrats of San Diego County
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