



April 17, 2019

Assemblymember Monique Limón  
Chair, Assembly Committee on Banking and Finance  
State Capitol, Room 6031  
Sacramento, California 95814

**Re: AB 857 (Chiu, Santiago) - Public Banks – SUPPORT**

Dear Chairwoman Limón:

The California Public Banking Alliance and allied organizations are writing to assert our strong endorsement and support of AB 857. 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. This important legislation will empower local governments in California with the ability to invest, lend and provide banking services to the local community. Public banks will partner with local banks and non-profit credit institutions to extend credit to communities and expand services to the underbanked.

- Public banks create a stable means to divest public funds and investments from banking organizations and industries that may not align with the values of our communities
- A robust public banking network in California provides strong protections against insolvency of large banks in periods of economic duress
- Public banks return interest and fee revenues to the communities they serve, creating value and revenue reserves for local constituencies
- Public banks bolster and enhance local bank and credit union activities, enabling lending capital for local businesses
- Public banking under our legislation enables a viable means of publicly financing housing and infrastructure projects to remediate our statewide housing crisis
- Public banks promote a transparent, independent and publicly governed finance system that is accountable to the people they serve

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.

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 local communities.

For these reasons, we the undersigned organizations urge you to support AB 857 (Chiu, Santiago) and respectfully ask for your “AYE” vote when it comes before your committee.

Sincerely,

John Erickson  
President  
Hollywood NOW

Cc: Members of Assembly Banking and Finance Committee  
Assemblymember David Chiu, author  
Assemblymember Miguel Santiago, author