



August 19, 2019

The Honorable Anthony Portantino
Chair of the Senate Appropriations Committee
State Capitol, Room 3086
Sacramento, CA 95814

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

Dear Senator Portantino:

The California Public Banking Alliance and the allied organizations signing below are writing to strongly endorse and support AB 857. This bill will 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 their local communities.

- Public banks return interest and fee revenues to the communities they serve, creating value and revenue reserves for local constituencies
- Public banks partner with and enhance local community banks and credit unions, expanding lending capital for local businesses
- Public banks under AB 857 will promote a transparent, independent and publicly governed finance system that is accountable to the people they serve
- Public banking under our legislation enables a viable means of publicly financing housing and infrastructure projects to remediate our statewide housing crisis
- A network of public banks can finance rebuilding efforts after climate change exacerbated disasters like wildfires and flooding

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 and floods. A public bank's decisions will 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 governments to charter their own public banks. These public banks will be overseen by the DBO and a professional board. In contrast to profit-driven big 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.

In public banks, 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 the needs of its 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