BILL SUMMARY

AB 310 paves the path for a California State Public Bank. Authored by Assemblymembers Miguel Santiago and David Chiu, this 2020 session bill expands the lending capacity of the State’s Infrastructure Bank (IBank) by moving 10% of CA’s Pooled Money Investment Account (PMIA) into the IBank’s loan fund. The bill will also convert the IBank into a depository bank able to leverage its capital up to ten times and direct its lending toward a just and equitable economic recovery.

WHAT ARE PUBLIC BANKS?

A public bank is a financial institution owned by the state, cities, counties, or joint powers authorities. A public bank’s deposit base consists primarily of tax revenues and fees which it leverages to issue loans, just like any bank. Unlike private banks, the interest paid to and profits earned by a public bank are returned to the community.

ADVANTAGES OF THE CALIFORNIA STATE PUBLIC BANK

- Help small businesses through lending, rather than letting Wall Street decide where the money should go.

- Provide a long-term source of stable financing for local governments, redirect existing investment funds into the state economy, and lay the foundation for resilient and equitable growth.

- Partner with community banks and credit unions so they can expand much-needed investment in their neighborhoods.

- Create a sustainable stream of revenue for emergency funding so we can better prepare for the future.
In 2019, the people of California passed the Public Banking Act, empowering cities and regions to create our own banks.

In 2020, economic fallout from the COVID-19 pandemic is forcing local governments across the state to cut staff, services, and vital programs at a time when they are most needed. We urgently need the means to bring desperately needed funds into urban and rural communities ignored by Wall Street banks.

AB 310 will provide local governments and agencies much-needed emergency funding, and keep local tax revenue from leaking out to Wall Street. This bill will reallocate idle money from the state's "checking account" into the existing California Infrastructure Bank (IBank). By moving a small part of California's Pooled Money Investment Account (PMIA) into the IBank's loan fund, and then converting the IBank into a depository bank, the State Public Bank will be able to leverage its capital up to ten times in 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.

The Pandemic has revealed the inadequacy of our current financial system to meet the credit needs of our local agencies or to serve our most disenfranchised populations. Currently, most federal relief funds are going to big corporations on Wall Street, not to working-class and middle-class households or small businesses on Main Street.

The California State Public Bank will strengthen the financial positions of local governments and local financial institutions to facilitate a just and speedy economic recovery for the people of California.

**OUR CALIFORNIA STATE BANK WILL:**

- Lend to small businesses so they don't have to rely on predatory Wall Street lenders.
- Provide a long-term source of stable financing for local governments, redirect existing investment funds into the state economy, and lay the foundation for equitable growth.
- Partner with our community banks and credit unions so they can continue to make much-needed loans in their neighborhoods.

**TAKE ACTION NOW**

Send an Action Network letter to your CA State Representatives: bit.ly/AB310

CaliforniaPublicBankingAlliance.org
California’s local governments are projecting calamitous revenue shortfalls due to the COVID-19 pandemic. Local governments will be forced to cut critical services such as schools, food programs and public health, which will disproportionately harm communities of color. Small businesses, particularly those owned by disadvantaged and underrepresented people of color, that have been forced to close may never return. Now is the time to invest directly in local governments and small businesses to aid the economic recovery.

AB 310 provides relief for local governments and small businesses without increased taxes and austerity measures. By converting the existing California Infrastructure Bank (IBank) into first a revolving loan fund and then a depository bank, and by using California’s available Pooled Money Investment Account (PMIA) to fund the new bank, elected leaders can lead California and their constituency into a resilient, regenerative 21st century economy.

**OUR STATE BANK WILL PROVIDE STABLE FINANCING.**

The state public bank would accept deposits and handle accounts for California local agencies and governments, functioning for local agencies as a credit union functions for individuals. This would offer local governments savings on fees and interest they are currently paying to Wall Street banks.

**OUR STATE BANK WILL CREATE A STRONG ECONOMY.**

California pays billions per year in interest to private banks which are reaping record profits from COVID-19 manipulations. Nearly 50% of the cost of all state infrastructure projects goes towards paying interest and fees. Money from our cities and counties, deposited into the new public bank, will fund public projects, cut the cost of infrastructure needs in half. A state bank can leverage capital up to ten times—every dollar of capital enables ten dollars of loans, providing funds for needed projects from affordable housing to climate change infrastructure to hospital and school expansion.
The federal response to the COVID-19 pandemic has sent a disproportionate amount of financial support to private equity and large firms with deep banking relationships, ignoring most of the state’s small businesses, especially unbanked and underbanked businesses.

The California State Public Bank will open a lending window that offers below-market-rate loans to small businesses. These loans will fill a gap commercial banks have failed to address. Even when our economy is humming along, commercial banks have long made credit more costly for small businesses in underserved communities. Our State Public Bank will support low-interest loans for small businesses left behind by federal recovery efforts, and create a sustainable loan program to support small businesses in underserved communities.

**OUR STATE PUBLIC BANK WILL SUPPORT SMALL BUSINESS ENTREPRENEURS OF COLOR.**

The state’s existing infrastructure bank (IBank) already supports some small businesses through loans and loan guarantees. With its expanded role, the State Public Bank will focus a portion of its lending on microbusinesses (with under 50 employees) in underserved communities and owned by women, indigenous people, or people of color. These businesses currently have to pay more to access loans, and they disproportionately employ service and retail workers. Targeted, below-market lending to such businesses will support the communities most vulnerable in this crisis.

**OUR STATE PUBLIC BANK WILL EXPAND ACCESS TO CREDIT THROUGH LOAN GUARANTEES.**

As an emergency provision, the State Public Bank will extend loan guarantees for below-market loans that any financial institution makes to small businesses, based on a set of equity-oriented criteria. The existing state infrastructure bank (IBank) currently offers such guarantees. The State Public Bank will grow the guarantee program and focus explicitly on underserved businesses. The loan guarantees create scale, by allowing any lender to rely on the credit of the State Public Bank when extending support to small businesses.

**OUR STATE PUBLIC BANK WILL KEEP MONEY LOCAL.**

The State Public Bank will invest in local businesses. Local economies will be more resilient with the State Public Bank standing behind our retailers, restaurants, and grocers. This will have a positive effect on local employment and local business tax revenue, creating a friendly climate for new businesses to launch locally and existing businesses to grow and thrive.
In the midst of the COVID-19 pandemic, the federal government has failed to mount a meaningful response to the jobs crisis. Wall Street has compounded that failure by prioritizing their biggest customers over small businesses in need. AB 310 will do what the feds and the banks should have done: make existing funds available NOW to create jobs, strengthen unions, and rebuild the economy. By lending available money from California’s Pooled Money Investment Fund (PMIA) through California’s existing Infrastructure Bank (IBank), money can start flowing within weeks of this bill becoming law.

As the loans begin, the IBank will start transitioning into a true depository public bank which will be able to leverage the bank’s capital into targeted recovery loans. Our State Bank can quickly and efficiently distribute assistance to individuals and make low-interest loans to small businesses, school districts, and other reparative projects. We must recover from this crisis with a healthy and regenerative social and economic order by creating a new financial institution that invests in our communities—accountable to the people, not Wall Street.

**OUR STATE BANK WILL CREATE JOBS & SUPPORT LABOR.**

Small and medium-sized businesses remain the core economic driver for California. Working with all available stimulus funds and federal programs, the state bank will provide small and medium-sized businesses with needed lending and capital access to develop and scale, and will ensure the continued functioning of critical services. The public bank would conform to the same standards set by unions, bolstering wages and a more equal distribution of power towards labor. The California State Public Bank Act is supported by UFCW, SEIU CA, LA County Federation of Labor with many more endorsements on the way.

**OUR STATE BANK WILL SAVE CALIFORNIA MONEY.**

California pays billions per year in interest to private banks which are reaping record profits from COVID-19 manipulations. Nearly 50% of the cost of all state infrastructure projects goes towards paying interest and fees. Money from our cities and counties, deposited into the new public bank, will fund public projects, cut the cost of infrastructure needs in half, create thousands of good new jobs, and double our power to invest in our own communities. A state bank can leverage capital up to ten times—every dollar of capital enables ten dollars of loans, providing funds to pay workers living wages for needed projects from affordable housing to climate change infrastructure to hospital and school expansion.

**OUR STATE BANK WILL KEEP MONEY IN CALIFORNIA.**

A state bank will invest in California projects, with California labor and California results. Unlike Wall Street banks that funnel the money to where the bank can make the most profit, our bank will strengthen our state and our communities by keeping money here in California and investing for the public good.
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. One profound exception is North Dakota where local financial institutions are backed by a public bank, the Bank of North Dakota. As the only state-owned bank in the country, it is one of the few banks that thrived during the 2008 recession. California should have its own state public bank.

AB 310 would expand the existing California Infrastructure Bank (IBank), first into a COVID-19 relief loan fund and then into a full-fledged public bank that accepts deposits from the state and its agencies. In its new roles, our new state bank will do most of its lending in partnership with California community banks, credit unions, and community development financial institutions (CDFIs) enabling more lending, targeted to the Californians who need it most, with reduced risk due to state bank participation.

A SHARED PURPOSE AND ETHOS.

Credit unions are owned by their customer members, not private shareholders. Customers open accounts because they know that their credit union or community bank is focused on providing them the best services, not on maximizing profits for distant shareholders. Our state bank will be owned by our state residents, not by private shareholders. All of these institutions, along with impact investments (CDFIs), put the interests of local communities first.

OUR STATE BANK WILL KEEP MONEY LOCAL.

A state bank will invest in California projects, through California local financial institutions, with California results. Unlike Wall Street banks that funnel the money into industries for a purely profit motive, the public bank will strengthen our state and our communities by keeping money where it was created and ensure that local financial institutions reap the benefits of bank fees and interest for state-bank backed projects.

OUR STATE BANK WILL SAVE CALIFORNIA MONEY.

California pays billions per year in interest to banks which are collecting record profits from COVID-19 manipulations. Nearly 50% of the cost of all state infrastructure projects goes towards paying interest and fees. Money from our cities and counties, deposited into the new public bank, will fund public projects, putting money in the hands of California businesses and individuals, who can then take advantage of local bank options with their own increased spending power. A state bank can leverage capital up to ten times—every dollar of capital enables ten dollars of loans. Our state bank will partner with community financial institutions to distribute funds for the state’s needs, including hospitals, schools, affordable housing, and climate change infrastructure.
As the 5th largest economy in the world, California needs a state public bank to make existing funds available NOW to fund new green technologies and strengthen infrastructure to manage fires and floods. Germany has led the way in building a green economy with its public banks. Now it’s California’s turn! We must recover from this crisis with a healthy and regenerative social and economic order by creating a new financial institution that invests in our future—accountable to the people and the planet.

With available money from California’s Pooled Money Investment Fund (PMIA), the existing state Infrastructure Bank (IBank) can start making loans within weeks of this bill becoming law. As the loans begin, the IBank will also start transitioning into a depository public bank. The state bank can quickly and efficiently allocate monies to projects with a triple bottom line: preserving the state’s capital, helping people in need, and protecting the planet.

**OUR STATE BANK CAN DIVEST FROM FOSSIL FUELS.**

Every dollar in a Wall Street bank is leveraged for the benefit of the fossil fuel industry and against our best interests. A state public bank will put our money where our values are: in regenerative economics and clean resources.

**OUR STATE BANK WILL CREATE GREEN JOBS.**

Infrastructure projects and green technology initiatives—large and small, local and statewide—are job creators, and the state bank funding can help ensure that the jobs are well-paid. Resulting improvements in quality of life and long-term outlook for Californians will strengthen the state’s economy on every level.

**OUR STATE BANK WILL SAVE MONEY AND LEVERAGE CAPITAL.**

California pays billions per year in interest to private banks, which invest far more money against sustainable and regenerative activities than they invest in them. When we deposit money from our cities and counties into the new public bank, we can fund public projects with minimal fees and interest costs. That alone will cut the cost of infrastructure needs in half and double our power to invest in our own communities.

A state bank can leverage capital up to ten times—every dollar of capital enables ten dollars of loans, providing funds for climate protection projects alongside needed dollars for hospitals, schools, and affordable housing.