

Date of Hearing: April 23, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 2243 (Haney) – As Amended April 20, 2026

SUBJECT: State Bank Act

SUMMARY: This bill eliminates the prohibition on public bank licensing and establishes a State Bank Commission. By mid-2028, the Commission must formulate and vote on a state bank plan following public hearings; if approved, the plan is to be made available on a public website.

Specifically, **this bill:**

- 1) Creates the State Bank Commission and provides for its membership, as prescribed.
- 2) Removes the public bank licensing prohibition for a period of seven years from the date the commissioner first promulgates regulations pursuant to the commissioner's duties.
- 3) Requires, on or before June 1, 2028, the commission to develop a state bank plan that addresses various items with respect to creating a state bank, including a state guarantee of public deposits, including those held by public banks.
- 4) Would require, on or before January 1, 2028, the commission to hold at least 2 public hearings to solicit input on the state bank plan from members of the public and, by July 1, 2028, vote whether to adopt the state bank plan.
- 5) Requires, if the commission adopts by a majority vote the state bank plan, the commission to publish the state bank plan and the fact of its adoption on its internet website.

EXISTING LAW:

- 1) Requires a local agency to conduct a study to assess the viability of the proposed bank prior to submitting an application to organize and operate as a public bank. The key study elements are as follows:
 - a) A discussion of the purposes of the bank including, but not limited to, achieving cost savings, strengthening local economies, supporting community economic development, and addressing infrastructure and housing needs for localities.
 - b) A fiscal analysis of costs associated with starting the proposed public bank.
 - c) Financial projections, including a pro forma balance sheet and income statement, of the proposed public bank for at least the first five years of operation. The financial projection must include an estimate of the time period for when expected revenues meet or exceed expected costs and an estimate of the total operating subsidy that the local agency may be required to provide until the proposed public bank generates sufficient revenue to cover its costs. The analysis must provide projections for both favorable economic conditions and economic recession.

- d) A legal analysis of whether the proposed structure and operations of the public bank would likely comply with Section 6 of Article XVI of the California Constitution.
 - e) An analysis of how the proposed governance structure of the public bank would protect the bank from unlawful insider transactions and apparent conflicts of interest.
(Government Code (Gov.Code) section 57606(a))
- 2) Requires a public bank to obtain and maintain deposit insurance provided by the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act, if approved.
(Gov.Code section 57602(a))
 - 3) Authorizes the Commissioner of the Department of Financial Protection and Innovation (DFPI) to license up to two public banks in the state per year, as specified, upon an application by a local agency, up to 10 total. (Gov.Code section 57607(a) and (b))
 - 4) Prohibits the Commissioner from issuing a public bank license after the expiration of a period of 7 years from the date upon which the commissioner first promulgated certain regulations related to public banks. (Gov.Code section 57607(d))

FISCAL EFFECT: According to the author, the anticipated cost is roughly \$4 million for the commission. A budget request has been submitted to reflect the anticipated fiscal effect.

COMMENTS:

1) Purpose

Statement from the Author

“California is the fourth-largest economy in the world, generating nearly \$300 billion in annual revenue. Yet despite this economic strength, the state continues to rely heavily on private financial institutions to finance public investments.

When California borrows through private lenders, taxpayers ultimately pay the cost through interest payments, underwriting fees, and financing costs. Over the life of many projects, these costs can add up to billions of dollars that do not go toward building housing or improving infrastructure. Each year, California pays roughly \$8 billion in total debt service, including about \$4 billion in interest payments to private lenders. These are taxpayer dollars that do not build housing, roads, or schools. Instead, they go to financial institutions for the price of borrowing.

A state public bank would give California a financial tool to lower costs and keep more investment dollars circulating in the state’s economy. Instead of profits flowing to private shareholders, the earnings generated by a public bank can be returned to the public and reinvested in California communities. Without new financing tools, California will continue paying billions in interest while struggling to fund the investments needed to address affordability and economic growth.”

2) Background

AB 857 (Chiu, Chapter 442, Statutes of 2019) established a framework for local agencies to apply for public bank licenses under standards similar to private institutions, including FDIC insurance and regulatory oversight. Another previously explored public banking concept

includes AB 310 (Santiago, 2020) which proposed creating a depository bank within the California Infrastructure and Economic Development Bank (I-Bank) and directing a portion of state funds into it but did not advance. Other jurisdictions have pursued similar efforts with varying outcomes. For example, Oregon's HB 2763 (2023) would have created a task force to study a state bank but was vetoed, while Massachusetts has considered proposals to capitalize a public bank to support local investment. At the federal level, legislation has been introduced to establish a national regulatory framework for public banking.

The most prominent model of public banking in the United States is the Bank of North Dakota (BND), established in 1919 and the only state-owned bank currently in operation. BND functions as a partner to private financial institutions, leveraging loan participation and federal funding mechanisms to support lending. As of 2024, BND reported \$10.8 billion in assets and \$200.4 million in net income, returning \$335 million to the state treasury, demonstrating a sustainable model built on strong capitalization and conservative risk management. AB 2243 seeks to build on these lessons and determine whether a similar or adapted model could be viable in California and how it could be structured to meet the state's unique economic and policy needs.

AB 2243 proposes the creation of a State Bank Commission to evaluate whether and how California should establish a state-owned depository bank capable of holding state funds, conducting public-purpose financing, and coordinating existing financing programs. The bill reflects a measured, planning-first approach by requiring the commission to develop a detailed framework addressing key structural issues, including capitalization, deposit guarantees, loan backstops, governance, transparency, and coordination with existing entities in line with the requirements of the Government Code.

The proposal responds to California's current reliance on a fragmented financing landscape, which can limit the state's ability to lower borrowing costs, align public investments, and address gaps not well served by private capital markets. The bill requires the nine-member commission to contract with one or more independent entities with expertise in public banking financing, public banking, and depository institutions. The commission must develop a plan to address: capitalization of operations, state guarantee of public bank deposits, backstop mechanisms for loans, including the feasibility and proposed design of a multistate pooled backstop fund that includes public banks. The commission must also produce a five-year business plan assessing how a state bank could support priority areas such as building decarbonization, wildfire and disaster resilience, social and affordable housing (including community land trusts and acquisition opportunities), and expanded access to capital for small businesses in underbanked, rural, tribal, and disadvantaged communities. The plan would also evaluate technical assistance for local public banks, positioning the state to better coordinate and deploy public capital toward long-term policy goals.

AMENDMENTS

The following amendments were taken in the Assembly Committee on Economic Development, Growth, and Household Impact and will be processed on its behalf in this Committee:

- 1) Amendment 1: Delete Gov.Code Section 57607(a)(b), and (c)
- 2) Amendment 2: Repeal the amendment to Gov.Code Section 57607(d)
- 3) Amendment 3: Add clarifying language that the Legislature has the ultimate decision-making authority to create the public bank.

Amendment 1: ~~Section 57607 of the Government Code is amended to read: 57607.—(a) The Commissioner of Financial Protection and Innovation shall not issue more than two public bank licenses in a calendar year.~~

~~(b) The Commissioner of Financial Protection and Innovation shall not issue a public bank license if issuing that public bank license would cause there to be more than 10 public banks authorized to transact business pursuant to Division 1.1 (commencing with Section 1000) of the Financial Code.~~

~~(c) The Commissioner of Financial Protection and Innovation shall conduct a study of public banking in California within two years after the date upon which the commissioner issues the 10th public bank license.~~

Amendment 2: ~~(d) The Commissioner of Financial Protection and Innovation shall not issue a public bank license after the expiration of a period of seven years from the date upon which the commissioner first promulgates regulations for the purpose of carrying out the commissioner's duties under this division.~~

(d) The Commissioner of Financial Protection and Innovation shall not issue a public bank license after the expiration of a period of seven years from the date upon which the commissioner first promulgates regulations for the purpose of carrying out the commissioner's duties under this division.

Amendment 3: *A plan adopted pursuant to this subdivision shall not have any effect other than through the enactment of subsequent, implementing legislation.*

REGISTERED SUPPORT / OPPOSITION:

Support

Last verified 4/18/26

350 Sacramento

Adr Continental Group

Asian Business Association

Asian Business Association of Silicon Valley

Asian Journal Publications, INC.

Bolema Brand

California Alliance for Community Energy

California Association for Micro Enterprise Opportunity

California Climate Action

California Democratic Party Delegates (statewide, 65 Signatories)

California Democratic Renters Council

California Faculty Association - San Francisco State University

California Federation of Teachers

California Federation of Teachers Afl-cio

California Public Banking Alliance

California Solidarity Economy Network (CALSEN)

California State University Employees Union (CSUEU)

California State University Employees Union, Seiu Local 2579

California Yimby
Cameo - California Association for Micro Enterprise Opportunity
Center Against Racism & Trauma INC.
Cft – a Union of Educators & Classified Professionals, Aft, Afl-cio
Climate Action California
Codepink Sonoma County
Cooperation Humboldt
Courage California
Daryl M Rush Builder Fabricator
Democracy Collaborative
Demos
Destination Crenshaw
Economic Security California Action
End Poverty in California (EPIC)
End Poverty in California, a Project of Tides Center
Fossil Free California
Friends of the Earth.
Friends of the Public Bank East Bay
Glide
Green Party Humboldt County
Green Party of Santa Clara County CA
Greenlining Institute
Human Agenda
Indivisible California Statestrong
Job Guarantee Action Project
Media Alliance
Move LA
Natural Resources Defense Council (NRDC)
North Coast Progressive Alliance
People for Public Banking Central Coast
Physicians for Social Responsibility - Sacramento Chapter
Poder Sf
Public Bank - East Bay
Public Bank - San Diego
Public Bank Fresno
Public Bank LA
Public Bank Los Angeles
Public Bank Pomona Valley
Public Bank Sacramento
S&b Water, INC.
S&l Ffa
Sacramento Area Congregations Together (SACACT)
Sacramento Climate Coalition
San Francisco Public Bank Coalition
Santa Clara County Democratic Party
Santa Cruz Climate Action Network
Small Business Majority
Socioenergetics Foundation
Sonoma County Democratic Party

South Bay Progressive Alliance
Southern California Black Chamber of Commerce
Starting Over Strong
The Academy of Financial Education
The Greenlining Institute
The Gubbio Project
The Rainbow Garden
Third ACT
Third ACT Sacramento
U.s. Solidarity Economy Network
United Parents and Students
Vision Culture Foundation
Wellbeing Economy Alliance California
Western Center on Law & Poverty
Women's International League for Peace and Freedom, US

Opposition

4/18/26

California Bankers Association
California Community Banking Network
California's Credit Unions

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