

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON ECONOMIC DEVELOPMENT, GROWTH, AND
HOUSEHOLD IMPACT

José Luis Solache, Jr., Chair

AB 2243 (Haney) – As Amended March 19, 2026

SUBJECT: State bank commission

SUMMARY: This bill removes the ban on public bank licensing, creates a State Bank Commission, and requires it to develop and vote on a state bank plan by mid-2028 after holding public hearings. If adopted, the plan must be published online.

Specifically, **this bill:**

- 1) Deletes that public bank licensing prohibition and would create in state government the State Bank Commission and provide for its membership, as prescribed.
- 2) 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.
- 3) 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.
- 4) 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) Authorizes the Commissioner of Financial Protection and Innovation to license up to two public banks in the state per year, as prescribed, upon an application by a local agency.
- 2) 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.

FISCAL EFFECT: According to the author, the anticipated cost is roughly \$4 million for the commission. They have submitted a budget request to reflect that anticipated fiscal effect.

COMMENTS: 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. It also removes the current sunset on local public bank licensing authority, preserving the state's ability to continue supporting locally driven public banking efforts while a broader statewide strategy is evaluated.

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. To that end, AB 2243 requires the commission to 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.

California has previously explored public banking concepts. 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. AB 310 (Santiago, 2020) 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 builds on these lessons by tasking the commission with determining 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.

Author’s Statement: According to 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.”

REGISTERED SUPPORT / OPPOSITION:**Support**

Adr Continental Group
Asian Business Association
Asian Business Association of Silicon Valley
Asian Journal Publications, INC.
California Association for Micro Enterprise Opportunity
California Democratic Party Delegates (statewide, 65 Signatories)
California Faculty Association - San Francisco State University
California Federation of Teachers Afl-cio
California Public Banking Alliance
California Solidarity Economy Network (CALSEN)
California State University Employees Union, Seiu Local 2579
California Yimby
Cameo - California Association for Micro Enterprise Opportunity
Climate Action California
Cooperation Humboldt
Courage California
Democracy Collaborative
Destination Crenshaw
Economic Security California Action
End Poverty in California (EPIC)
Fossil Free California
Friends of the Earth - US
Friends of the Earth U.s.
Friends of the Public Bank East Bay
Glide
Human Agenda
Indivisible California Statestrong
Media Alliance
Move LA
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 Los Angeles
Public Bank Pomona Valley
Public Bank Sacramento
Sacramento Area Congregation Together
Sacramento Climate Coalition
San Francisco Public Bank Coalition
Santa Cruz Climate Action Network
Small Business Majority
South Bay Progressive Alliance

Southern California Black Chamber of Commerce
Starting Over Strong
The Greenlining Institute
The Gubbio Project
Third ACT Sacramento
U.s. Solidarity Economy Network
United Parents and Students
Vision Culture Foundation
Wellbeing Economy Alliance California
Women's International League for Peace and Freedom, US

Opposition

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

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