



Kate Harrison  
Councilmember District 4

Consent Item  
July 28, 2020

To: Honorable Mayor and Members of the City Council  
From: Councilmember Harrison and Councilmember Hahn  
Subject: **Resolution in Support of AB 310 to Convert The California Infrastructure Bank (IBank) to a Public Bank**

#### RECOMMENDATION

Adopt A Resolution In Support of AB 310 converting the California Infrastructure Bank (IBank) to a depository institution serving as a public bank for the State of California, its counties, municipalities and regional authorities.

#### FISCAL IMPACT OF RECOMMENDATION

None

#### CURRENT SITUATION AND ITS EFFECTS

A state public bank will provide technical support, funding, and financial services to create and operate local and regional public banks that are authorized by AB 857, the Public Banking Act that was passed into law in 2019, and which will direct local funds to address local priorities in a locally accountable manner.

Assembly Bill 310 also would immediately invest 10% of the PMIA into the IBank to increase lending and credit to local governments and small businesses for purposes of economic recovery

Increasing the IBank's lending capacity immediately will help address pressing local needs more quickly and reduce the long-term human and economic costs of a meager, prolonged response to recession. Assembly Bill 310 will expand the IBank's role by converting it into a state bank that can finance economic recovery efforts by conducting direct lending to local governments, and partnership lending to small businesses through relationships with existing local financial institutions (community banks, credit unions and CDFIs) to offer emergency lending, especially to hard-hit communities of color.

#### BACKGROUND

The State of California Infrastructure and Economic Development Bank (IBank) was created in 1994 with state funds to provide infrastructure finance in California using funds from tax-exempt revenue bonds and, in April 2020, the Office of the Governor of California allocated \$50 million to the IBank to expand loan guarantees for small businesses run by low-income individuals who did not qualify for federal funds, including undocumented individuals.

However, the State of California has no public banking option outside of the IBank's narrow scope. Because of this, the State of California, like the City of Berkeley, holds their assets with large out-of-state commercial banks, which charge excessive fees and have no particular incentive to invest in California communities.

ENVIRONMENTAL SUSTAINABILITY

No impact

RATIONALE FOR RECOMMENDATION

The City of Berkeley has repeatedly resolved to end its relationships with large commercial banks. For example the Berkeley City Council resolution from May 30, 2017 “a Resolution establishing City of Berkeley policies that ensure investments and service contracts are with socially responsible entities.” And when the City resolved to divest funds from Wells Fargo in 2012.<sup>1</sup> Assembly Bill 310 would allow the City of Berkeley to conform to these resolutions, by moving its deposits, accounts and servicing to a California Public Bank.

ALTERNATIVE ACTIONS CONSIDERED

None

CONTACT PERSON

Councilmember Kate Harrison

Attachments:

1: Resolution

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<sup>1</sup> “City of Berkeley Plans to Pull \$300M Out of Wells Fargo,” Feb. 2012, <https://prisondivest.com/2012/02/08/city-of-berkeley-plans-to-pull-300m-out-of-wells-fargo/>

RESOLUTION NO. ##,##-N.S.

WHEREAS Assembly Bill 310 (Santiago), the California State Public Bank Act, converts the California Infrastructure Bank (IBank) to a depository institution serving as a public bank for the State of California, its counties, municipalities and regional authorities; and

WHEREAS, the City of Berkeley has been forced to make substantial budget reductions, which are already having an immediate impact and insofar as they are likely to continue into subsequent years will grow more costly to address if not dealt with quickly and prudently; and

WHEREAS, the City has the authority to invest in the \$32 billion Local Agency Investment Fund (LAIF), which is invested in the \$99 billion Pooled Money Investment Account (PMIA); and

WHEREAS, Assembly Bill 310 also would immediately invest 10% of the PMIA into the IBank to increase lending and credit to local governments and small businesses for purposes of economic recovery; and

WHEREAS, increasing the IBank's lending capacity immediately will help address pressing local needs more quickly and reduce the long-term human and economic costs of a meager, prolonged response to recession; and

WHEREAS, Assembly Bill 310 will expand the IBank's role by converting it into a state bank that can finance economic recovery efforts by conducting direct lending to local governments, and partnership lending to small businesses through relationships with existing local financial institutions (community banks, credit unions and CDFIs) to offer emergency lending, especially to hard-hit communities of color; and

WHEREAS, with no public banking option, the State and this City hold their assets with large out-of-state commercial banks, which charge excessive fees and have no particular incentive to invest in California communities; and

WHEREAS, the City of Berkeley has repeatedly in the past – and as far back as 2012 - resolved to end its relationships with large commercial banks (C.f. Berkeley City Council, May 30<sup>th</sup>, 2017 *“a Resolution establishing City of Berkeley policies that ensure investments and service contracts are with socially responsible entities.”* also *“City of Berkeley Plans to Pull \$300M Out of Wells Fargo,”* Feb. 2012, <https://prisondivest.com/2012/02/08/city-of-berkeley-plans-to-pull-300m-out-of-wells-fargo/>); and

WHEREAS Assembly Bill 310 would allow the City of Berkeley to conform to these resolutions, by moving its deposits, accounts and servicing to a California Public Bank; and

WHEREAS, the City of Berkeley endorsed Assembly Bill 857, the Public Banking Act of 2019; and

WHEREAS, Assembly Bill 310 will expand the IBank's role by converting it into a state bank that can finance economic recovery efforts by conducting direct lending to local governments, and partnership lending to small businesses through relationships with existing local financial institutions (community banks, credit unions and CDFIs) to offer emergency lending, especially to hard-hit communities of color; and

WHEREAS, a state public bank will provide technical support, funding, and financial services to create and operate local and regional public banks that are authorized by AB 857, the Public Banking Act that was passed into law in 2019, and which will direct local funds to address local priorities in a locally accountable manner; and

WHEREAS, the State of California Infrastructure and Economic Development Bank (IBank) was created in 1994 with state funds to provide infrastructure finance in California using funds from tax-exempt revenue bonds and, in April 2020, the Office of the Governor of California allocated \$50 million to the IBank to expand loan guarantees for small businesses run by low-income individuals who did not qualify for federal funds, including undocumented individuals; and

WHEREAS, instead of prioritizing shareholder returns, a state public bank will prioritize the needs of local agencies addressing equitable small business loans and public infrastructure;

**NOW, THEREFORE, BE IT RESOLVED**, that the City of Berkeley proclaims its support for AB 310 (Santiago), and

**BE IT FURTHER RESOLVED**, that by the adoption of this Resolution, the City of Berkeley hereby includes in its 2019-2020 State Legislative Program SUPPORT for AB 310 (Santiago), which would provide COVID-19 relief and expand the IBank into a state-chartered, depository institution; and

**BE IT FURTHER RESOLVED** that a letter of support for AB 310 be sent by the City Manager to Senator Nancy Skinner, the California Senate Banking and Finance Committee and/or whatever other legislative committees will be conducting hearings on the legislation, no later than the deadline for filing position letters to each committee.