

California State Public Bank (AB 2243)

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AB 2243 launches a phased process to create a California State Bank. The bill establishes a State Bank Commission and directs an independent plan to design how California can establish a state public bank that lowers borrowing costs, saves public money, expands financing for housing, climate and energy, small businesses, and infrastructure, and keeps more public dollars working for Californians.

Why California Needs Its Own Bank

California is being squeezed from multiple directions at once from rising borrowing costs, growing local and state budget deficits, including a projected nearly [\\$3 billion state shortfall](#) in 2026–27, and federal funding cuts, freezes, and delays. That means fewer public dollars reach the things our communities need: housing, infrastructure, climate resilience, and local economic stability. At the same time, cities, counties, tribes, community lenders, and small businesses need more affordable financing to move projects forward. AB 2243 is a practical response to that reality.

What AB 2243 Does

AB 2243 creates a phased process to design and create California’s state public bank. The bill establishes Phase 1: a State Bank Commission and develops an independent State Bank Plan with expert analysis and public input. The State Bank Plan will evaluate structural options for establishing a state public bank, including expanding or converting an existing state entity into a state depository institution. The goal is to build a stronger public financial infrastructure that lowers borrowing costs, improves coordination across state financing programs, and expands access to capital for California’s public priorities.

How it Helps Communities

A state-owned bank helps finance public needs at scale. Like other banks, it can turn a portion of public capital into a much larger pool of lending over time. That means every \$1 of capital can support up to \$10 in lending capacity. \$1M can support up to \$10M, creating a 10x multiplier for what public dollars can do for public needs.

A state public bank will:

- Significantly cut public borrowing costs and financing fees
- Finance affordable housing and social housing
- Expand small business and microbusiness lending
- Scale climate and energy financing, including building decarbonization and wildfire resilience
- Back local lenders, including CDFIs, credit unions, and community banks
- Support municipal and regional public banks authorized under the California Public Banking Act

- Help local governments finance projects faster and at lower cost
- Make sure that money from California taxpayers supports investment in California

It is designed to keep more California taxpayer dollars working in California instead of leaking out through fees, interest, and outside intermediaries.

The Wholesale Model

AB 2243 proposes a wholesale bank model, not a retail bank. That means it would not offer personal checking accounts, ATMs, or tellers, and it would not replace local credit unions or community banks. Instead, it would work with local lenders and public agencies to help finance more housing, small businesses, climate projects, and infrastructure at lower rates and on better terms. A simple way to think about it: retail banking serves individual customers directly; wholesale banking supports the local lenders and public institutions that serve communities. This is similar to the successful Bank of North Dakota model, which has operated for more than 100 years, reported an [18.2% return on equity](#) in 2023, and returns hundreds of millions of dollars to the state's general fund year after year.

AB 2243 would also support municipal and regional public banks authorized under California's Public Banking Act (AB 857), helping to extend their lending capacity and support local public financing systems.

Phased Implementation

Phase 1 (AB 2243): Planning, public input, and the roadmap. The bill creates the State Bank Commission, requires independent expert analysis, gathers public input, and produces the State Bank Plan. The plan outlines how California can establish a state public bank, including capitalization options, deposit protections, and potential state guarantee frameworks, lending backstops, a five-year business model, and coordination with existing state financing programs.

Phase 2 (after approval of the Plan): Charter as a depository bank and scale capacity. Once the Commission approves the State Bank Plan, the California State Bank is established within the state government as recommended in the plan, including chartering, governance transition, appointment of a governing board, and pursuit of federal system access (Federal Reserve / Federal Home Loan Bank).

As a depository institution, the bank can **leverage its capital up to 10x** to expand lending capacity for California's public priorities.

Why It Matters for California Communities. California sends billions of dollars out of state each year through interest payments and financial fees, draining public dollars that could otherwise be reinvested locally. AB 2243 builds public financial infrastructure so housing, small business, infrastructure, and climate investments can move forward faster and at lower cost. Instead of paying unnecessary fees to outside intermediaries, more public dollars stay in California to support local communities.