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California 'Public Banks' Legislation Could Upend Local Government Finance, Backers Say.

Should banks exist to make a profit, a difference, or both?

A bill in the California Legislature allowing municipalities to create their own banks could upend how they handle their money and finance long-term projects. It also has the potential to squeeze out larger financial institutions, replacing them with these so-called “public banks.”

The legislation, Assembly Bill 857, could also have a resounding impact on the North Bay.

Cities and counties could combine to found a bank that would replace larger institutions in underwriting “participation loans” made to projects in partnership with local banks and credit unions, according to Susan Harman of the Public Bank East Bay advocacy group, part of the statewide California Public Bank Alliance.

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by CHASE DIFELICIANTONIO

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