

# AB 1177 (Santiago, Carrillo, Chiu, E. Garcia, Gipson, Gonzalez, Kalra, Lee, Ting, and Wicks)

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## California Public Banking Option Act

### Bill Summary

[AB 1177](#) would provide Californians with a no-cost banking option. Specifically, this bill creates the [BankCal program](#), which would allow Californians to open a no-fee, no-penalty account with an associated debit card.

### Existing Law

Creates the CalSavers program, which provides a state-run option for employees to save for retirement by requiring employers to participate in an automatic enrollment individual retirement account with no employer fees (Government Code Section 100000).

Establishes the CalKIDS program, which provides college savings accounts to children born in California (Education Code Section 69996)

Allows municipalities to create public banks to provide low-interest loans for affordable housing, small business development, and public infrastructure projects (AB 857 (Santiago, Chiu), 2019).

### Background

Nearly 1 in 4 Californians are unbanked, meaning they lack a bank account altogether, or are underbanked, meaning they have a bank account but still largely rely on alternative financial services, such as payday lenders, prepaid debit cards, and pawn shops. Unbanked or underbanked households pay proportionally more for their financial services,

lack savings accounts, have fewer opportunities to build credit, and face increased rates of loan rejection.

Limited access to financial services is a problem that disproportionately impacts low-income communities and communities of color. Californians earning less than \$15 per hour make up 80.7% of the unbanked in the state. Black and Hispanic Californians make up 78.4%. Nearly half (45.9%) of all Black-identifying households in California and 41.1% of all Hispanic-identifying households are unbanked or underbanked, compared to 15.5% of white-identifying households.

### Need for AB 1177

Providing Californians with a zero-fee, zero-penalty public option for essential financial services would empower all Californians, especially the unbanked or underbanked population. AB 1177 would:

- Create the BankCal program, which would allow Californians to create a BankCal account, use a BankCal debit card, access a vast network of ATMs, deposit funds, automate bill pay, and set up direct deposit with no fees or penalties.
- Establish the California Public Banking Option Board (Board) to design and oversee the BankCal program.
- Give the Board specified duties and responsibilities, including ensuring program efficiency, collaborating with the

CalSavers and CalKIDS programs, and streamlining the distribution of public assistance payments.

By providing a stable, affordable financial platform that eliminates the need for exploitative alternatives to traditional banking, AB 1177 reduces Californians' risk of falling into catastrophic debt traps and brings us closer to bridging the racial wealth gap.

### **Support**

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California Public Banking Alliance (Co-Sponsor)  
California Reinvestment Coalition (Co-Sponsor)  
SEIU California (Co-Sponsor)  
350 Sonoma  
Action Center on Race and the Economy  
Alliance for a Just Recovery, Sonoma County  
Asian Pacific Environmental Network  
Bay Area-System Change not Climate Change  
California Asset Building Coalition  
California Progressive Alliance (CPA)  
Center for Farmworker Families  
Community Financial Resources  
Cooperation Humboldt  
Dreams for Change  
Feel the Bern Democratic Club, Los Angeles  
Feel the Bern San Fernando Valley  
Fight For 15  
Friends of Public Banking Santa Rosa  
Lawyers' Committee for Civil Rights of San Francisco Bay Area  
Haven Neighborhood Services  
LITE Initiatives  
Media Alliance  
Mendocino County Public Banking Coalition  
North Bay Jobs with Justice  
Partnership for Working Families  
Peace and Justice Center of Sonoma County  
Peralta Community College District--Laney College Library  
Progress Noe Valley  
Progressive Asian Network for Action (PANA)  
Public Bank Los Angeles (PBLA)  
Public Bank Pomona Valley  
Public Counsel

Public Law Center  
Ready to Help LA  
Renaissance Entrepreneurship Center  
River Watch  
Romero Institute  
Rose Foundation for Communities and the Environment  
San Francisco Berniecrats  
San Francisco Public Bank Coalition  
Sanctuary Santa Cruz  
Santa Cruz Climate Action Network  
SaverLife  
Silicon Valley Rising Action  
Sonoma County Climate Activist Network (SoCoCAAN!)  
Sonoma County Pachamama Alliance  
Southern Poverty Law Center  
Working Partnerships USA

### **Opposition**

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California State Controller, Betty Yee

### **For More Information**

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