



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB5503

Introduced 2/9/2024, by Rep. Kevin John Olickal

SYNOPSIS AS INTRODUCED:

New Act

Creates the Illinois Public Banking Option Act. Establishes the Illinois Bank Account Board. Sets forth provisions concerning the membership and duties of the Board. Provides that the Board shall establish the Illinois Bank Account Program, including establishing the mechanisms by which an account holder may deposit funds into an Illinois Bank Account for no fee, establishing mechanism for direct deposits, selecting a program administrator, and establishing other terms, policies, and rules. Requires the Board to contract with an independent entity to conduct a market analysis. Sets forth the requirements of the market analysis. Requires the Board to make a determination as to whether the Illinois Bank Account Program can be implemented as described in the Act and to make a determination as to whether Illinois Bank Account Program revenue is more likely than not to be sufficient to pay for Illinois Bank Account Program costs within 6 years of the Illinois Bank Account Program's implementation and what the State's investment will need to be in order to cover the costs.

LRB103 37143 RTM 67262 b

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Illinois Public Banking Option Act.

6 Section 3. Findings. The General Assembly finds the
7 following:

8 (1) With high unemployment rates, homelessness rising,
9 and an unprecedented wave of evictions looming as a result
10 of the COVID-19 pandemic, the financial stability of the
11 State's most vulnerable residents have become a matter of
12 particularly urgent concern, not only to those individuals
13 themselves but to the economic health of the State as a
14 whole.

15 (2) Access to basic financial services, including
16 demand deposit (checking) and savings accounts, is a
17 critical component of financial stability. One in 5
18 Illinois households are unbanked or underbanked.
19 Underbanked households are defined as those that have a
20 bank account but have used alternative financial services
21 (AFS) for transactions, including check cashing and money
22 orders, and for credit, including payday loans. Among
23 underbanked households, AFS transaction use is 3 times

1 more prevalent than the use of AFS for credit. Around 17%
2 of United States households use AFS transactions. These
3 transaction services can be a significant expense for
4 low-income Illinoisans. For example, check cashers charge
5 as much as 10% of the cost of the check being cashed. In
6 2018, AFS costs for unbanked and underbanked Americans
7 totaled \$189,000,000,000 in fees and interest, which means
8 the average annual cost per person for using AFS was
9 \$3,000.

10 (3) Predatory banking practices, including expensive
11 overdraft fees, create a vicious cycle leading to the
12 lasting exclusion of Illinois residents from traditional
13 and affordable financial services and disproportionately
14 harm low-income people and people of color. Banking
15 options that target the poor generate significant revenue
16 through these exploitative practices. In 2019, 84% of
17 those fees were paid by 9% of account holders, and those
18 customers typically carried low balances averaging less
19 than \$350.

20 (4) Unbanked households pay proportionally more for
21 their financial services, lack secure means of saving,
22 have fewer opportunities to build credit, and are rejected
23 for loans at far higher rates. Basic financial
24 transactions, including the payment of rent, utilities,
25 and other recurring bills or charitable contributions, are
26 a particularly formidable challenge for households lacking

1 access to important tools, including automated bill pay,
2 or whose monthly income fluctuates too much to make
3 automated processes viable. Because they have fewer
4 options when their money runs short, unbanked households
5 face a far more destructive cycle of punitive action when
6 they default on their recurring bills, which leads to
7 compounding interest and further debt. For all these
8 reasons, exclusion from traditional financial services
9 significantly increases the risk of poverty and
10 homelessness and places an unnecessary burden on the
11 entire economy.

12 (5) Limited access to affordable financial services is
13 a problem that disproportionately impacts low-income
14 communities and communities of color. The racial disparity
15 in banking access in Illinois is stark: the most recent
16 five-year estimate from 2017-2021 shows 2.4% of white
17 households were unbanked, whereas 20.4% of black
18 households were unbanked. Hispanic households face similar
19 disparities, with 10.9% of Hispanic households unbanked.
20 Despite improvements as Illinoisans recover from the
21 pandemic, the racial gap remains pronounced, with black
22 households having a significantly higher unbanked rate
23 than their white counterparts. In Chicago, where the
24 disparities are amplified, the number of unbanked white
25 households held evenly with the rate across the State at
26 2.5% while black households maintained a persistently high

1 23.7% unbanked rate.

2 (6) Providing Illinois residents with a zero-fee,
3 zero-penalty, zero-minimum-balance requirement public
4 option for basic financial services would empower
5 Illinoisans by providing a stable, affordable financial
6 platform for all Illinois residents, especially the
7 unbanked and underbanked who currently rely on expensive
8 AFS transactions. The Illinois Bank Account Program would
9 mitigate the demand for exploitative alternatives to
10 banking services with respect to which upselling and
11 cross-selling into expensive accounts and products is the
12 norm. A market analysis of the proposed Illinois Bank
13 Account Program and any modifications that may be
14 necessary for its successful and cost-effective
15 implementation will enhance the State's ability to serve
16 the financial services needs of unbanked and underbanked
17 Illinois residents.

18 Section 4. Definitions. In this Act:

19 "Board" means the Illinois Bank Account Board.

20 "Illinois Bank Account Program" means the program
21 described in Section 10.

22 Section 5. The Illinois Bank Account Board.

23 (a) The Illinois Bank Account Board is established by the
24 State under the Department of Financial and Professional

1 Regulation for the purpose of protecting consumers who lack
2 access to traditional banking services from predatory,
3 discriminatory, and costly alternatives, which offers
4 Illinoisans access to a voluntary, zero-fee, zero-penalty,
5 federally insured transaction account, known as an Illinois
6 Bank Account, and related payment services at no cost to
7 account holders, including robust and geographically diverse
8 mechanisms for accessing account funds and account management
9 tools that facilitate the automation of basic financial
10 transactions designed to serve the needs of individuals with
11 low or fluctuating income.

12 (b) The Board shall consist of all the following members:

13 (1) The State Treasurer or the State Treasurer's
14 designee.

15 (2) The Secretary of Financial and Professional
16 Regulation or the Secretary's designee.

17 (3) An individual with banking expertise, particularly
18 expertise in transaction accounts and debit cards,
19 appointed by the Senate President.

20 (4) An individual with expertise in economic and
21 racial justice and cultural competence appointed by the
22 Speaker of the House.

23 (5) An employee representative appointed by the
24 Governor.

25 (6) An individual with expertise in banking or
26 consumer financial services affiliated with an academic

1 institution appointed by the Governor.

2 (7) An individual with banking expertise appointed by
3 the Governor.

4 (8) A public banking advocate appointed by the Senate
5 President.

6 (9) A consumer representative or advocate with
7 expertise in banking access and financial empowerment,
8 including within historically unbanked and underbanked
9 communities, appointed by the Speaker of the House.

10 (c) In making appointments to the Board, the appointing
11 authorities shall take into consideration the cultural,
12 ethnic, and geographic diversity of the State so that the
13 Board's composition reflects the communities of Illinois.

14 (d) Members of the Board shall serve without compensation;
15 however, members of the Board shall be reimbursed for
16 necessary travel expenses incurred in connection with their
17 Board duties.

18 (e) Except for the members described in paragraphs (3) and
19 (9) of subsection (b), a Board member, or State Treasurer's
20 staff working with the Board, while serving in that capacity
21 shall not have a direct or indirect investment or ownership
22 interest in or be employed by, a consultant to, a member of the
23 board of directors of, affiliated with, or otherwise a
24 representative of, a private bank or financial services
25 institution unless that position is an unpaid volunteer
26 position. The restrictions in this subsection do not include

1 ownership of a share of a diversified mutual fund or
2 exchange-traded fund that holds shares of a private bank or
3 financial services.

4 (f) To the extent the State, to successfully implement the
5 Illinois Bank Account Program, contracts with entities to
6 provide administrative and financial services, the State has a
7 proprietary interest in ensuring that the entities with which
8 it contracts have not engaged in conduct that would undermine
9 the goals, efficiency, and reputation of the Illinois Bank
10 Account Program, including, but not limited to, by violating
11 banking, consumer protection, fair lending, or fair housing
12 laws.

13 Section 10. Duties of the Board. Within 12 months after
14 receiving a market analysis as described in Section 15, the
15 Board:

16 (a) Shall establish a process by which an individual may
17 open an Illinois Bank Account, which shall be designed to
18 maximize program participation.

19 (b) Shall establish the mechanisms by which an account
20 holder may deposit funds into an Illinois Bank Account for no
21 fee, which mechanisms shall include, but not be limited to,
22 electronic fund transfers arranged through an employer's or
23 hiring entity's payroll direct deposit arrangement and cash
24 loading through in-network partners.

25 (c) Shall establish the process through which an account

1 holder may elect to have a portion, up to the entirety, of the
2 account holder's paycheck or earnings due for labor or
3 services performed directly deposited by electronic fund
4 transfer into the account holder's Illinois Bank Account.

5 (d) Shall establish the process through which employers
6 and hiring entities shall be required to remit through a
7 payroll direct deposit arrangement each worker's elected
8 payroll contribution to the worker's Illinois Bank Account in
9 accordance with the worker's election.

10 (e) Shall establish mechanisms by which an account holder
11 can withdraw funds from an Illinois Bank Account using an
12 Illinois Bank Account debit card for no fee, which mechanisms
13 shall include, but not be limited to, withdrawals through
14 point-of-sale purchases using an Illinois Bank Account debit
15 card and through cash withdrawals at a robust and
16 geographically expansive network of participating ATMs, bank
17 or credit union branches, and other in-network partners of
18 designated financial institution partners.

19 (f) Shall establish a process, available to all account
20 holders for no fee, through which an account holder may
21 arrange for payment to a registered payee using a
22 preauthorized electronic fund transfer from an Illinois Bank
23 Account.

24 (g) Shall establish the process and terms and conditions
25 for becoming a registered payee, which shall at a minimum
26 require the payee's agreement to specified terms and

1 conditions to be established by the board in exchange for the
2 benefits of transparency and accountability afforded by
3 participation in an automated payment system and which shall
4 be designed to incentivize account holders' preauthorized
5 electronic fund transfers to registered payees and application
6 of voluntary automatic disbursement rules by limiting the late
7 payment fees and penalties that registered payees can impose
8 on account holders who pay them using preauthorized electronic
9 fund transfers from their Illinois Bank Accounts.

10 (h) Shall establish voluntary automatic disbursement rules
11 to assist an account holder in managing automated payments to
12 registered payees based on the availability of funds in the
13 account holder's account, which an account holder may
14 voluntarily elect to apply or to stop applying to the account
15 holder's Illinois Bank Account at any time, and which shall be
16 designed to maximize consumer protection and may include, but
17 not be limited to, rules governing the prioritization and
18 timing of payments, rules limiting payments to a percentage of
19 funds available in the Illinois Bank Account, and rules
20 limiting disbursement to designated registered payees only
21 upon satisfaction of specified conditions of the Illinois Bank
22 Account.

23 (i) Shall facilitate the opening of an Illinois Bank
24 Account by individuals who may not have federal or state
25 government-issued photo identification while taking all
26 reasonable steps to maintain the confidentiality of personal

1 information consistent with all applicable laws.

2 (j) Shall design and establish rules governing the
3 enrollment and participation in the program of individuals who
4 do not have permanent housing.

5 (k) May design and establish rules governing the
6 enrollment and participation in the program of individuals who
7 are under 18 years of age, including rules governing the
8 opening of an Illinois Bank Account by a person who is at least
9 14 years of age without a co-signer or guarantor on the account
10 consistent with all applicable law.

11 (l) Shall select a program administrator, which may
12 consist of one or more contractors or program staff or a
13 combination thereof, whose duties shall include, but not be
14 limited to, all of the following:

15 (1) Providing a secure internet web-based portal and
16 mobile application through which individuals can enroll in
17 the program and entities can become registered payees and
18 through which account holders can access and manage their
19 Illinois Bank Accounts, including their direct deposits,
20 preauthorized electronic fund transfers to registered
21 payees, and automatic disbursement rule elections.

22 (2) Providing a method that enables employers and
23 hiring entities to remit each worker participant's elected
24 direct deposit payroll contribution to the worker's
25 Illinois Bank Account in accordance with the worker's
26 election.

1 (3) Facilitating enrollment of account holders in the
2 program through coordination with government, employers
3 and hiring entities, and nonprofit partners.

4 (4) Facilitating and managing connectivity with other
5 state and local government programs providing individuals
6 with financial accounts to enable program account holders
7 to transfer funds between their Illinois Bank Accounts and
8 their other state-managed or locally managed accounts, as
9 authorized by the Board and in accordance with all
10 applicable laws and regulations.

11 (5) Facilitating and managing connectivity with other
12 State and local government agencies and entities to enable
13 and streamline remittance of local, State, and federal
14 benefit and public assistance payments and other
15 disbursements to account holders who are entitled to those
16 payments and who authorize those payments to be directly
17 deposited by electronic fund transfer into an Illinois
18 Bank Account, as authorized by the board and in accordance
19 with all applicable laws and regulations.

20 (m) Shall contract with a financial services network
21 administrator whose duties may include, but not be limited to,
22 all of the following:

23 (1) Contracting with, managing, and coordinating the
24 financial services vendors for the program, which shall
25 provide account holders access to their Illinois Bank
26 Accounts and services provided in concert with at least

1 one qualifying participating depository financial
2 institution that meets the requirements established by the
3 board.

4 (2) Adding additional participating depository
5 financial institutions meeting the requirements
6 established by the Board, especially including qualifying
7 credit unions and other local financial institutions, as
8 program scope and scale permits, in accordance with the
9 board's specifications as set forth in the contract
10 between the board and the financial services network
11 administrator.

12 (3) Issuing to each account holder a secure debit
13 card, or other secure means of access to the account
14 holder's Illinois Bank Account, which shall utilize
15 current security and antifraud technology consistent with
16 industry standards.

17 (4) Providing a robust and geographically expansive
18 financial services network of partners through which an
19 account holder can load or withdraw funds from an Illinois
20 Bank Account using an Illinois Bank Account debit card, or
21 other secure means of access to an Illinois Bank Account,
22 for no fee, including ATMs, bank or credit union branches,
23 and other in-network partners, minimize or eliminate
24 out-of-network fees for account holders, and ensure that
25 account holders are not charged out-of-network fees that
26 are not reasonable and actually incurred by the program

1 vendor.

2 (n) Shall develop and negotiate a fair and equitable
3 program fee and program revenue sharing structure between the
4 State and the financial services network administrator in
5 furtherance of attaining a financially self-sustaining
6 program, which agreement shall be reevaluated annually and
7 renegotiated as appropriate based on program scope and scale.

8 (o) Shall require an employer with more than 25 employees
9 and a hiring entity with more than 25 independent contractors
10 performing the same or similar labor or service, excluding the
11 federal government, to do all of the following:

12 (1) Have and maintain a payroll direct deposit
13 arrangement that enables voluntary worker participation in
14 the program.

15 (2) Deposit all wages and other payments due to a
16 worker that the worker has authorized to be directly
17 deposited by electronic fund transfer into the worker's
18 Illinois Bank Account in accordance with the worker's
19 authorization.

20 (3) Coordinate its payroll process with the program
21 administrator's application program interface to
22 facilitate accurate and seamless payment by direct deposit
23 in accordance with the authorization of each worker
24 participant.

25 (4) Cooperate with the program administrator in
26 providing all requested information available to the

1 employer or hiring entity necessary for the opening and
2 administration of a worker's Illinois Bank Account.

3 (5) Upon request of the administrator, provide
4 additional forms or notifications to a worker.

5 (6) Refrain from discharging, disciplining,
6 threatening to discharge or discipline, or in any other
7 manner retaliating or taking an adverse action against a
8 worker or applicant because of the individual's
9 participation or manner of participation in the Illinois
10 Bank Account Program.

11 (p) Shall require a landlord or a landlord's agent to
12 allow a tenant to pay rent and deposit of security by an
13 electronic funds transfer from an Illinois Bank Account and
14 provide that a landlord's, or a landlord's agent's, receipt of
15 payment from an Illinois Bank Account pursuant to the
16 requirements of the Illinois Bank Account Program shall not be
17 considered a waiver of any right the landlord or landlord's
18 agent may otherwise have to establish the base rent on, or to
19 raise rent for, the rental unit.

20 Section 15. Market analysis.

21 (a) The market analysis required by this Section shall
22 include whether or not Illinois Bank Account Program revenue
23 is more likely than not to be sufficient to pay for Illinois
24 Bank Account Program costs within 6 years of the Illinois Bank
25 Account Program's implementation.

1 (b) The analysis required by this Section shall include
2 detailed financial projections and key assumptions upon which
3 the determination required by this paragraph relies.

4 (c) The market analysis required by this Section shall
5 also include an analysis of the population of Illinois
6 residents who are unbanked and the reasons they are unbanked.

7 (d) The market analysis required by this Section shall
8 also include an analysis of the low-cost or no-cost options of
9 federally insured transaction accounts that are available or
10 marketed to unbanked Illinois residents.

11 (e) The market analysis required by this Section shall
12 also include an evaluation of all of the following:

13 (1) Alternatives to the Illinois Bank Account Program
14 that the State could implement or enact that would
15 accomplish the essential policy objectives.

16 (2) The estimated risks and costs of alternatives.

17 (3) The expected effectiveness and scalability of
18 alternatives.

19 (f) The market analysis required by this Section shall
20 also include recommendations for how the State can maximize
21 the number of unbanked Illinois residents who become banked at
22 the lowest cost and risk to the State.

23 (g) The market analysis required by this Section shall
24 also include an analysis of relative advantages and
25 disadvantages, compared to private sector alternatives, that
26 the State may have in identifying, reaching, or persuading

1 unbanked Illinois residents to enroll in a State-administered
2 banking program.

3 (h) The market analysis required by this Section shall
4 also include recommendations related to the appropriate
5 governance structure for a public-private partnership such as
6 the Illinois Bank Account Program.

7 (i) The market analysis required by this Section shall
8 also include an analysis of costs, benefits, and impacts on
9 all affected parties, including, but not limited to,
10 landlords, employers, State government, low-wage workers, and
11 consumers.

12 (1) The Board shall contract with one or more
13 independent entities with the appropriate expertise to
14 conduct the market analysis required by this Section.

15 (2) A contract entered into pursuant to this Section
16 shall require any entity conducting the market analysis to
17 provide progress reports to, and receive feedback from,
18 the Board at regular intervals or by request and be
19 available to provide testimony and answer questions at any
20 legislative hearings held within 12 months of the delivery
21 of the market analysis to the General Assembly.

22 (A) The market analysis required by this Section
23 shall consider all of the following:

24 (i) The number of potential account holders.

25 (ii) The availability of qualified
26 participating depository financial institutions.

1 (iii) Potential account holders' comfort with
2 various banking products.

3 (iv) How individuals without federal or state
4 photo identification can participate.

5 (v) Potential Illinois Bank Account Program
6 revenue streams.

7 (vi) The presence and effectiveness of private
8 sector or nonprofit competitors to the Illinois
9 Bank Account Program.

10 (vii) State fiscal risk from the Illinois Bank
11 Account Program during economic downturns or
12 economic shocks.

13 (viii) Any other factor the Board deems
14 relevant to implementing the Illinois Bank Account
15 program.

16 (ix) The risks and costs of the Illinois Bank
17 Account Program.

18 (x) The expected effectiveness and scalability
19 of the Illinois Bank Account Program.

20 (xi) The likely impact of the Illinois Bank
21 Account Program on existing Illinois depository
22 institutions.

23 (xii) The existence of possible financial
24 services network administrators. If any
25 possibilities include an out-of-state entity, the
26 anticipated impact on Illinois consumers,

1 businesses, and financial institutions and how an
2 out-of-state financial services network
3 administrator could or should be regulated.

4 (B) Within 12 months after entering into a
5 contract for the market analysis required by Section
6 15, the Board shall hold at least one public hearing to
7 solicit input from members of the public. A hearing,
8 including input from members of the public, held
9 pursuant to this Section shall be recorded and made
10 available on the State Treasurer's website consistent
11 with the Freedom of Information Act.

12 (C) The Board shall hold a public hearing to
13 review the market analysis. After the public hearing
14 required by this paragraph, the Board may issue a
15 report to accompany the market analysis. The report
16 may include the Board's assessment of the market
17 analysis, feedback from the public hearing held
18 pursuant to this paragraph, and recommendations
19 related to the implementation of the Illinois Bank
20 Account Program.

21 (j) The Board shall make a determination as to whether the
22 Illinois Bank Account Program can be implemented as described
23 in Section 10 and, if not, what modifications to the Illinois
24 Bank Account Program could be made to implement it.

25 (k) The Board shall make a determination as to whether
26 Illinois Bank Account Program revenue is more likely than not

1 to be sufficient to pay for Illinois Bank Account Program
2 costs within 6 years of the Illinois Bank Account Program's
3 implementation and what the State's investment will need to be
4 in order to cover the costs.

5 (1) The Board shall deliver and, upon request present, the
6 market analysis and any report issued to the Chair of the
7 Senate Committee on Financial Institutions and the Chair of
8 the House Committee on Financial Institutions and Licensing.