

# CALIFORNIA PUBLIC BANKS

## SUPPORT LOCAL FINANCIAL INSTITUTIONS

---

**California public banks will be partner lenders to community banks, credit unions, CDFIs, and accept local government deposits.**

California public banks will make it easier for community banks, credit unions, and community development financial institutions (CDFIs) to secure funding, leverage their capital, and generate the revenues needed to become more sustainable. Public banks will promote economic revitalization and community development through investment in and assistance to smaller, local banks enabling them to expand lending to small businesses and local residents.

Through mutually supportive relationships with existing financial institutions, public banks will be able to expand affordable housing and sustainability initiatives while pooling and redistributing credit risk among loan participants. Public banks can offer various incentives such as issuing loans at a lower interest rate, thus reducing the cost of credit for affiliated local lending institutions.

Most states, including California, have seen a massive drop in the number of community banks and credit unions, forcing individual and business depositors into Wall Street banks. One profound exception is North Dakota, where local financial institutions are backed by the Bank of North Dakota, the only state-owned bank in the country. North Dakota is one of the few states that recovered quickly from the Great Recession of 2008 and it is also the state that distributed its Paycheck Protection Plan money most efficiently and equitably.

### **A SHARED PURPOSE AND ETHOS.**

---

Credit unions are owned by their customer members, not private shareholders. Community banks are locally staffed and managed. Customers open accounts because they know that their credit union or community bank is focused on local benefits, not on maximizing profits for distant shareholders. California public banks will be owned by our local governments, and the profits will go back into the state revenue pool. These institutions, together with community development financial institutions (CDFIs), put the interests of local communities first.

### **CALIFORNIA PUBLIC BANKS WILL REINVEST IN LOCAL COMMUNITIES.**

---

California public banks will invest in California projects through local financial institutions, serving the needs of the communities to which they are accountable. Local public banks will strengthen California cities and counties by keeping money where it is created, investing in areas that benefit residents such as affordable housing, schools, climate change infrastructure, and small business lending. Public banks can leverage capital up to ten times—every dollar of capital enables ten dollars of loans that could be spent addressing local problems.