

CALIFORNIA PUBLIC BANKS

SUPPORT SMALL BUSINESSES

California public banks will create new lending opportunities for small businesses, focusing especially on communities of color.

California city and regional public banks will provide small business lending and funding for targeted community economic development initiatives and make loans to small businesses and microenterprises in historically underinvested neighborhoods. Municipal banks can serve as sole originators, or convene loan participations, driving small business lending through partnerships with community banks and credit unions.

Small and medium-sized businesses are the primary engine of economic growth and job creation in California but often face difficulty securing credit. The federal response to the COVID-19 pandemic sent a disproportionate amount of financial support to private equity and large firms with deep banking relationships, ignoring most small businesses. Black-owned small businesses were twice as likely to shutter their doors due to restrictive credit standards and high cost of obtaining credit from the open market. Black-owned businesses that have survived face many recovery obstacles.

Money spent at small businesses stays in the local economy and builds wealth locally. California public banks can prioritize loans in low-income, economically deprived neighborhoods. These banks can provide seed money for small-scale initiatives, financing for non-exploitative microenterprises, and funding for worker-owned cooperatives.

North Dakota's public bank shows us how this kind of investment model can succeed. At the outset of the pandemic, the Bank of North Dakota helped small businesses to secure more Paycheck Protection Plan (PPP) funds than any other state by workforce numbers, and quickly launched an emergency COVID relief loan program for small businesses to layer on top of the PPP.

CALIFORNIA PUBLIC BANKS WILL SUPPORT ENTREPRENEURS OF COLOR.

Public banks will focus a portion of their lending on microbusinesses (with under 50 employees) in underserved communities and owned by women, indigenous people, or people of color who historically have been unable to obtain credit. Since these businesses currently have to pay more to access loans, targeted, below-market lending to them will benefit California's vulnerable communities.

CALIFORNIA PUBLIC BANKS WILL KEEP MONEY LOCAL.

With public banks standing behind our retail, service, and restaurant industry, local economies will be capable of rebounding. An infusion of community-centered capital will spur economic growth by creating local jobs and increasing local business tax revenue through a friendly climate for new businesses to launch and existing businesses to thrive.