CALIFORNIA PUBLIC BANKS

SUPPORT THE GREEN NEW DEAL

California public banks will finance a just transition and help mitigate the effects of climate change.

Governments everywhere need funds available now to fund new green technologies and spread them to businesses, homeowners, and renters , and to strengthen infrastructure to manage fire, flood, and drought. Germany has led the way in using its public banks to build a green economy with public bank financing. Now, California cities and counties can create a network of public banks to invest in our future.

With a bank's ability to lend up to ten dollars for each dollar of capital, a California public bank can start making loans when it opens its doors. The bank’s charter, directors, and management will all be chosen with a view towards a triple bottom line philosophy: preserving the government depositors’ capital, helping residents in need, and safeguarding the planet.

CALIFORNIA PUBLIC BANKS WILL DIVEST FROM FOSSIL FUELS.

Billions of dollars in Wall Street banks finance planet-harming technologies such as fossil fuel extraction, processing and transportation. California public banks will put our money where our values are: in clean resources, regenerative projects, and climate-conscious infrastructure support.

CALIFORNIA PUBLIC BANKS WILL CREATE GREEN JOBS.

Infrastructure projects and green initiatives—including solar power for homes and businesses, electric car and bicycle charging stations, and more—are job creators. Financing these projects through California public banks will bring well-paying jobs to local people. These investments will improve the quality of life and long-term outlook for our communities and will strengthen our economies at every level.

CALIFORNIA PUBLIC BANKS WILL REDUCE THE COST OF CLIMATE RESPONSE.

Our governments pay hundreds of millions of dollars every year in interest to private banks whose profit-maximizing policies obstruct regenerative and sustainable change. Tax revenues deposited in California public banks can fund needed public projects with lower fees and interest costs, while supporting local financial institutions. Those savings alone will cut the cost of infrastructure projects in half, doubling our power to invest in our neighborhoods.

CALIFORNIA PUBLIC BANKS CREATE A NEW PARADIGM FOR ADDRESSING CLIMATE CRISIS.

With the unprecedented challenges of climate chaos facing California, the nation, and the world, local public banks are the innovative new institutions needed to anchor essential changes. Mitigating the current and upcoming challenges posed by global climate chaos can only be effectively addressed by a new paradigm.

CALIFORNIA PUBLIC BANKS

SUPPORT AFFORDABLE HOUSING

California public banks will provide funding for affordable housing and targeted community economic development.

Public banks will identify, underwrite, and originate low-cost, high-impact credit, enabling California cities and counties to pursue more socially beneficial and economically just forms of development. In the midst of an unprecedented affordable housing crisis, California public banks will support affordable housing development, in the form of both construction loans and long-term bond and mortgage loans. Public banks could, over time, be expanded to become a significant supplier of long-term affordable housing credit. These loans will be undertaken in partnership with local community banks, credit unions, and community development financial institutions (CDFIs).

California public banks will be able to provide flexible terms and term extensions on lines of credit to affordable housing developers, who can then acquire existing properties and place them into permanently affordable cooperative housing arrangements and community land trusts. Public banks will support working-class neighborhoods by creating loan instruments to finance rental assistance programs that help those left out of Section 8 vouchers and other current assistance programs. Public banks can ensure that future housing development linked to publicly funded transit investments supports people of color to stay in, and improve, their neighborhoods.

In times of crisis, public banks will be able to make capital available to localities immediately, and also to fund tax-credit based rental assistance programs to prevent evictions and foreclosures. The costs that arise from people falling into and out of homelessness, which are paid for by governments, will be substantially reduced, which will ultimately subsidize loan repayment.

California public banks will provide long-term multi-unit mortgage financing, allowing local governments and nonprofits to acquire thousands of units of existing housing, and permanently remove it from the for-profit segment of the local housing markets.

CALIFORNIA PUBLIC BANKS WILL STREAMLINE AND CENTRALIZE THE FINANCING OF AFFORDABLE HOUSING.

Compared to bond financing, public banks will provide a lower cost of capital, allowing for fiscal recapture: when a public bank becomes the investor in local housing production, bond payments that normally accrue to outside investors can instead be reinvested in local services. The combination of a public mandate and lower cost will allow under-resourced regions to create supplemental credit to spur the development of affordable housing, while also producing a long-term regenerative funding stream in high cost areas.

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.

CALIFORNIA PUBLIC BANKS

SUPPORT LOCALISM & AGROECOLOGY

California public banks will strengthen sustainable and compassionate local development.

A region or microeconomy that is self-sufficient and locally sustainable will better thrive in the coming decades as climate change and global uncertainties increasingly threaten communities. Food, water, and energy needs can best be addressed by seeing each local region as an ecological system, requiring the care and attention that allows environments to thrive, recently dubbed 'agroecology.' The United Nations Food and Agriculture Organization identified several principles that promote sustainable food and water resources—principles also required for a just and sustainable energy supply. These core values include:

- Attention to equity, inclusion, and justice in labor practices wherein food production becomes an enjoyable and shared task enhancing ties with nature, the environment, and the community;
- Responsible and accountable governance at all levels;
- Resilience in agricultural practices and the energy grid to recover from climate-related disasters;
- Linkage of producers and consumers so that production is tied to need, reducing food waste and increasing food value, freshness, and variety, with adequate support for farmers;
- Respect for culture and food traditions, promoting a healthy food supply, and resisting industrial and monocultural farming techniques as well as exploitative and unjust labor practices.

These principles are of little interest to the existing profit-driven food and energy supply chains. This has led to dependence on chemical additives, factory farming, inattention to waste or recycling, antibiotic resistance, monoculture crops, animal abuse, and soil depletion. The current energy grid favors the wealthy and damages the environment by promoting short-term financial incentives, allowing the profit motive to drive pricing and distribution, and exploiting our natural resources.

A banking system that is designed to consider what is best for the unique needs and capabilities of each local community will support agroecology in just, sustainable, and resilient ways. Local leaders bringing principles of justice and compassion to bear in using our wealth and natural resources for the betterment of all will promote resilience and self-reliance, encouraging markets to reinforce local values and growth. Because public banks can have longer horizons for profitability than commercial banks, they can support local projects that reflect the principles of agroecology, keep local wealth and resources in their communities, promote awareness of local values and needs, and foster a fuller sense of the community as an ecological system.

CALIFORNIA PUBLIC BANKS

SUPPORT WORKERS

California public banks will strengthen local economies by supporting local businesses and the creation of jobs.

California public banks will carry out most of their activities by partnering with community banks and credit unions, increasing the availability of credit in areas that Wall Street banks choose not to serve. These partnership relationships with local banks will support economic development in economically deprived neighborhoods. Public banks will purchase municipal and other local government bonds to provide increased services to those who need it and local jobs.

California public banks will enhance local lending to address immediate recovery efforts, fund capital improvements such as hospitals and community clinics, and benefit working families by providing long-term, sustainable investments in infrastructure, education, and housing that will create jobs.

Public banks will increase the availability of capital in our communities, giving more people and projects access to funding. Tax revenue from our cities and counties, deposited into local public banks, will finance critically needed public projects and substantially reduce infrastructure costs, thereby significantly increasing local governments' ability to invest in their residents.

CALIFORNIA PUBLIC BANKS WILL LEVERAGE OUR MONEY TO SUPPORT WORKING PEOPLE.

Public banks can leverage capital up to ten times—every dollar of capital can enable as much as ten dollars of loans, providing funds to pay workers living wages for producing affordable housing, climate change infrastructure, hospitals and schools. Similar to lending programs carried out by California cities, California public banks can require work be done by union labor, bolstering wages and a more equal distribution of power.

Leveraging public funds to support local businesses and community centered economic development will strengthen local economies and create jobs for Californians. This new funding will spur growth opportunities in worker training with apprenticeship programs and upskilling the existing workforce. It will also enhance working people's ability to become homeowners with more empowerment in their neighborhoods for themselves and their families.

CALIFORNIA PUBLIC BANKS WILL KEEP MONEY IN OUR COMMUNITIES.

California public banks will invest in California projects, with California labor and California improvements. Unlike Wall Street banks that scour the world for low wages and maximum profits, then funnel the money to shareholders and overpaid executives, local public banks will strengthen our communities by keeping our tax money invested for the public good and supporting the working people of our cities and regions.

CALIFORNIA PUBLIC BANKS
SUPPORT LOCAL GOVERNMENTS

California public banks will invest directly in local governments and small businesses to create more resilient local economies.

California's local governments face increased needs and revenue shortfalls, exacerbated by the COVID-19 pandemic. With the federal government in deadlock, local governments are being forced to cut critical services such as schools and food programs, and spend far more on public health than could have been anticipated before 2020. Limitations in these services disproportionately harm communities of color and poor communities.

California public banks will not only provide California's municipal governments with inexpensive depository services and cash management, they will also be able to supply funding that supplements government spending, freeing up money for the crucial services.

CALIFORNIA PUBLIC BANKS WILL CREATE CLEAN JOBS FOR THE COMMUNITY.

Small and medium-sized businesses remain the core economic driver for California. Working with local financial institutions (community banks, credit unions, and community development financial institutions), California public banks will provide these businesses with access to capital to develop and scale. The public banks can screen for the same standards set by unions, bolstering wages and fostering a more equal distribution of power to working people.

CALIFORNIA PUBLIC BANKS WILL PROVIDE STABLE FINANCING.

By accepting deposits and handling banking services for California local governments and agencies, California public banks will allow these institutions to move their money out of the Wall Street banks which prioritize shareholder profits and finance activities which many of our cities and counties have voted to divest from. The result is more customized service at less cost, while keeping our money local and our values front and center.

CALIFORNIA PUBLIC BANKS WILL CONTRIBUTE STRONG ECONOMIES.

Our local governments pay hundreds of millions of dollars per year in interest to private banks, which continued to be profitable during the worst of the COVID-19 pandemic and are reaping huge rewards now. Nearly 50% of the cost of our infrastructure projects goes to bank fees and interest. By depositing our tax revenues in California public banks, local governments can cut infrastructure creation and repair costs in half! Banks can leverage capital up to ten times with every dollar deposited representing up to ten dollars available to loan, to fund much-needed projects. Public banks will make available funds for affordable housing to climate change infrastructure, while also providing extra cash to meet smaller but equally pressing needs such as keeping illegally dumped trash off the streets or building a basketball court for underserved teens.

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.

CALIFORNIA PUBLIC BANKS
SUPPORT FISCAL RESPONSIBILITY

California public banks will be fiscally sound and face minimum risk.

CALIFORNIA PUBLIC BANKS WILL BE RUN BY PUBLIC BANKERS.

Like the 100-year-old Bank of North Dakota, California public banks will be managed by professional bankers and directed by accountable boards of governors responsible to their communities. Local governments which invest money in the public banks will have roles selecting the banks' boards of directors and developing policy, while the day-to-day banking will be done by seasoned professionals with substantial commercial banking experience.

CALIFORNIA PUBLIC BANKS WILL BE REGULATED BY THE STATE AND THE FEDERAL GOVERNMENT.

AB 857, the California Public Banking Act, requires that all California public banks be chartered in the state by the Department of Financial Protection and Innovation (DFPI), which charters banks and businesses across the state. The DFPI will follow the same procedures with public banks that it uses for private banks, including reviewing the bank proposal in detail, assessing financial projections, loan models, and the qualifications and history of the bank's board of directors, and upper management. Strict oversight and regulation continues for the first three years of any bank. After three years, annual reviews continue for as long as the bank exists; if an annual review reveals potential financial trouble, the DFPI resumes stricter oversight.

AB 857 also requires that every California public bank be insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC has rigorous criteria for all banks' financial and management plans, including requirements for minimum initial capital, minimum ongoing capital maintenance, fidelity bond insurance coverage, and financial statement audits. FDIC also insures bank deposits up to $250,000.

CALIFORNIA PUBLIC BANKS WILL BE HELD TO HIGH STANDARDS OF INTEGRITY AND FINANCIAL STABILITY.

Despite government oversight, many Wall Street banks have had substantial public failures of integrity and money management. California public banks will have the salient advantage of community involvement in bank operations. While many commercial bank boards of directors consist entirely of people with a focus on profitability, California public banks will bring together leaders from many community sectors and perspectives. This spectrum of backgrounds, expectations, and opinions will widen the lens of each local public bank and strengthen the banks' internal responsibility for success.