

# CALIFORNIA PUBLIC BANKS

## INTRODUCTION

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**California public banks will support regional economic development by following transparent, ethical, and sustainable investment guidelines.**

Public banks are lending and depository institutions owned by a local agency, such as a city or county, that serve a non-profit public purpose and are governed by a mandate responsive to local needs. These banks leverage their deposit base and lending power to benefit residents with affordable housing, small business loans, modernization of public infrastructure, and other community needs. They differ from traditional financial institutions in that they prioritize serving the needs of the communities they are accountable to, rather than maximizing profits for private shareholders.

California public banks will provide municipal governments with cost-effective depository services and cash management while also supplying funding that supplements government spending. This frees up money for crucial services and reduces the billions of dollars in interest payments that local governments currently pay to private banks, many of which continue to profit during crises like the COVID-19 pandemic. By accepting deposits and handling banking services for local governments and agencies, California public banks also enable these institutions to move their money away from private megabanks that finance activities such as fossil fuel projects, which many cities and counties have voted to divest from. The result is more customized service at a lower cost, while keeping our money local and aligning with our values.

### **BENEFITS OF PUBLIC BANKS**

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- Keeps public money invested within the local community
- Returns a significant portion of profits and interest to local residents and businesses
- Aligns with community values and prioritizes investments in community-identified projects
- Significantly reduces the cost of infrastructure creation and repair by half, making funds available for affordable housing, climate change infrastructure, and other pressing needs such as repairing crumbling streets and building parks and schools
- Promotes transparency and democratic control in the management of public funds
- Leverages the bank's resources to increase local lending and meet community needs in partnership with local financial institutions such as community banks, credit unions, and CDFIs
- Supports local banks and credit unions by backing their loans and letters of credit
- Establishes a long-term source of capital that benefits current and future generations of residents and businesses

A public bank has the ability to lend up to ten times the amount of capital it holds, allowing it to start making loans as soon as it opens its doors. The charter, directors, and management of California public banks will be chosen with a focus on a triple bottom line philosophy, which prioritizes preserving the capital of government depositors, meeting the needs of residents, and protecting the environment.