

CALIFORNIA PUBLIC BANKS

SUPPORT LOCAL FINANCIAL INSTITUTIONS

Public Banks: Partnering with Community Banks, Credit Unions, CDFIs, and Supporting Local Government Deposits

California public banks will partner with community banks, credit unions, and community development financial institutions (CDFIs) to enhance their lending capabilities and increase access to affordable credit for local residents and businesses. This collaboration will promote economic revitalization and community development by providing local banks with the funding and resources they need to expand lending and support sustainable initiatives.

Through these mutually supportive relationships, public banks will be able to pool and redistribute credit risk among loan participants, reducing the cost of credit and increasing access to affordable housing and sustainability initiatives. Public banks will also accept local government deposits, providing a secure and stable source of funding for public services and infrastructure projects.

In contrast to the trend of declining community banks and credit unions in most states, North Dakota's state-owned bank, the Bank of North Dakota, serves as a successful example of how public banking can support local financial institutions and promote economic stability. The bank's efficient and equitable distribution of Paycheck Protection Plan money during the COVID-19 pandemic further demonstrates the benefits of public banking.

A SHARED PURPOSE AND ETHOS

Public banks, credit unions, and community banks share a common goal: serving the needs of local communities. Public banks will be owned by local governments and return profits to the state, while credit unions are owned by members and community banks are locally managed and staffed. Together, these financial institutions prioritize the well-being of their communities over maximizing profits for shareholders. Community development financial institutions (CDFIs) also share this ethos of supporting local communities.

INVESTING IN LOCAL COMMUNITIES

Public banks will prioritize the needs of local communities by investing in California projects through partnerships with community banks, credit unions, and CDFIs. Public banks will play a crucial role in strengthening California cities and counties by keeping money within the state and investing in projects that benefit residents, such as affordable housing, schools, and infrastructure for addressing climate change. Public banks have the ability to leverage their capital, allowing for a greater impact on local issues. For every dollar of capital, public banks can enable up to ten dollars in loans to address pressing local problems.