

CALIFORNIA PUBLIC BANKS

SUPPORT SMALL BUSINESSES

Public Banks: Providing Lending and Funding for Small Businesses and Community Economic Development in Underinvested Neighborhoods

California's public banks, both at the city and regional levels, will play a crucial role in supporting small businesses and driving economic development in underinvested communities. By providing loans and funding for small businesses and microenterprises, these banks can help to address the credit challenges faced by small businesses, particularly those owned by Black and other underrepresented groups. These banks can act as sole originators of loans or work in partnership with community banks and credit unions to drive small business lending.

Small and medium-sized businesses are a vital part of California's economy, but they have been disproportionately impacted by the COVID-19 pandemic. Federal support has often been directed towards larger firms with established banking relationships, leaving many small businesses struggling to access credit. Black-owned small businesses have been particularly hard hit, with twice as many facing closure due to restrictive credit standards and high borrowing costs.

Public banks can help to address these challenges by prioritizing lending in low-income, economically deprived neighborhoods. By providing seed money for small-scale initiatives, non-exploitative microenterprises financing, and worker-owned cooperatives, these banks can help to build wealth locally and support sustainable economic development.

The success of North Dakota's public bank during the pandemic serves as an example of the impact that these institutions can have. The Bank of North Dakota helped small businesses 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.

EMPOWERING ENTREPRENEURS OF COLOR THROUGH SMALL BUSINESS LENDING

Public banks in California will focus on providing targeted lending and funding for microbusinesses in underserved communities, particularly those owned by women, indigenous people, and people of color who have historically faced barriers to accessing credit. By providing below-market loans to these businesses, public banks can help to reduce the financial burden on these entrepreneurs and support the economic development of vulnerable communities. This strategic approach to lending will help to level the playing field for these microbusinesses and promote inclusive economic growth in California.

KEEPING MONEY LOCAL

Public banks can support local economies by providing lending and funding for small businesses, creating jobs and stimulating economic growth. They can also increase local business tax revenue by fostering a supportive environment for new and existing businesses, ultimately benefiting the community.