CALIFORNIA PUBLIC BANKING ALLIANCE TOWN HALL Q&A

The Nuts and Bolts of Opening Public Banks in California Zoom Chat Questions - March 30, 2022 Answered by Trinity Tran, Rick Girling, and Brett Garrett.

1/ Question from Ken Streib

I was wondering why we never seem to consider a full service bank for the people, which we all can use, including savings, checking, etc. They all seem to be banks which only deal with other banks. I would like a public replacement for the banks we all use.

Answer: As we work to bank municipalities, we're also working to bank the general public. In 2021, we co-sponsored AB 1177, the California Public Banking Option Act, which was signed into law by Governor Newsom. Upon implementation, the CalAccount program will provide zero-cost, zero-penalty bank accounts to all Californians. The act proposes a no-fee, no-penalty debit account enabling employers to make direct deposits when requested. Features include a debit card, automatic bill pay capacity and free ATM access. Additionally, CalAccount provides infrastructure to streamline public benefit payments and other disbursements to account holders. Once they come online, local public banks could potentially become a designated partner and hold CalAccounts.

2/ Question from Ned Orrett

What is the chance our I Bank will become a Public Bank, and be able to fund the enormous project of electrifying buildings in CA cities...an essential task for satisfying our climate goals?

Answer: In 2020, we launched a state bank bill to convert the California Infrastructure Bank (IBank) into a state bank to quickly distribute relief funds to small businesses and municipal governments as a response to the pandemic. While a state bank is needed and could fund infrastructure projects that affect large swaths of Californians, we believe a state public bank campaign will be more politically viable once we get AB 857 local public banks up and running.

3/ Comment from David Keeler

In addition to Public Banking (such as N. Dakota has), I support Postal Banking, which I believe is necessary specifically for rural remote communities.

Answer: We agree. We see postal banks as allied public institutions whose efforts are complementary to municipal banking efforts. Postal banking provides low-cost, universal financial services through the United States Postal Service. Postal banking will benefit consumers who do not have access to traditional banks, including those in rural areas and in banking deserts. We support efforts to expand access to and democratize finance for all.

4/ Question from Michael Witmer

Will Public Banks face the same sort of issues that hinder private banks from loaning to construct ADUs? How realistic is it to hope PB can do what private banks won't do?

Answer: The Bank of North Dakota is already showing us what public banks can do that private banks won't do. It provides rapid emergency relief from disasters such as covid and floods when commercial banks fail to lend because they have no social mandate to their communities. It assists community banks in expanding their loan capabilities which commercial banks have not done.

Because public banks are not under pressure from stockholders to maximize short term profits, they can offer loans for longer periods with smaller returns that are vital to our communities. Projects such as solar panels on public buildings which may not be attractive to the large commercial banks due to insufficient scale, can be financed by public banks whose bottom line is environmental and social in addition to profitability.

5/ Question from Kitty Kroger

Who are the major opponents of the public bank in CA? How can we expose them?

Answer: Opponents of public banking include financial and business lobbying firms: California Bankers Association, California Business Roundtable, California Chamber of Commerce, Howard Jarvis Taxpayers Association, Bay Area Council, Los Angeles County Business Federation, San Francisco Committee on Jobs, San Gabriel Valley Economic Partnership, Silicon Valley Leadership Group, Valley Industry & Commerce Association.

6/ Question from Alfred Hardy

I'm sure that it's been asked many times, but when can we expect the first public bank to be operational?

Answer: The California Public Banking Act, AB 857, creates a process which regional authorities must complete before issuance of a public bank license by the state's regulatory agency, the California Department of Financial Protection and Innovation (DFPI). The key elements include: conducting a viability study and developing a business plan for the bank, approval from the local government agency, and approval of the application from the DFPI. East Bay, Los Angeles, San Francisco, and the Central Coast are in the early stages of this process. East Bay Public Bank is <u>projecting an opening</u> in early-to-mid 2023.

7/ Question from Mike McKeever

Where do deposits come from? Is it true that it will not be a retail bank? I.e., no individual loans?

Answer: Deposits in public banks come from public income that cities and counties accrue: taxes, license and permit fees, traffic and parking tickets, etc. Pension funds and green mutual funds will also be able to deposit into public banks. A local government can then borrow directly from a public bank without the need for expensive, private Wall Street middlemen. Similar to the Bank of North Dakota, California public banks will partner with local credit unions and community banks, expanding the lending capacity of these entities for loans that benefit the public interest.

8/ Question from Rebecca Valentine

Aren't Black Rock and Vanguard investment corps preying on our communities by over bidding for single family homes to turn into rentals, thereby decreasing the number of available houses for locals to buy? How can public banking address this ominous situation? https://newrepublic.com/article/165623/blackrock-vanguard-ubs-climate

Answer: You are absolutely right. Huge corporations are gobbling up real estate in our communities and turning homes into speculative investments that charge exorbitant rents or are sold at enormous profits. Working together with legislative remedies to curb speculation, public banks can supply capital through community banks, credit unions and CDFIs that enable local residents and non-profit organizations to purchase properties and keep them affordable.

9/ Comment from Robin Sunbeam

The public bank needs to also be guided by ethical investments.

Answer: We agree! Our organizational mission is to encourage and support the development of socially and environmentally responsible city, county, and regional public banks in California. Each of these public banks will support the economic development of its region and follow transparent, ethical, and sustainable investment guidelines, and serve the needs of its community by ensuring the meaningful participation of their underserved members.

10/ Question from Mike McKeever

Who is on board in the decision making sphere of authorizing deposits?

Answer: The public bank will be governed by a board of qualified directors chosen according to their reputation, financial knowledge, and their adherence to a fiduciary duty to advance the mission and soundness of the bank. Public banks are owned by the public, so elected representatives will play a role in selecting a board of qualified individuals with reasonable remuneration who will face far more accountability and transparency in their management decisions. It will be up to each region's elected representatives, banking experts, and the people to provide their input on what structure will be most conducive to financial soundness, while being sensitive to needs of the bank's local area and upholding the social and environmental responsibility mandate of its mission. For further reading, the Democracy Collaborative has published a <u>governance proposal</u> for the Los Angeles Public Bank.

11/ Question from Maxwell Kessler

Would love to hear all the speakers' opinions on the best ways we can help the movement along. What can we do as individuals? Any action items? Thx!

Answer: CPBA chapters are currently working on community organizing, coalition-building, and education. We encourage supporters to join one of our <u>local California chapters</u> or reach out to us at <u>calpba@gmail.com</u> to be directed to a regional director. Following the successful passage of two groundbreaking bills, we shifted gears from the state to the local-level and are currently working to build a foundation at the city and regional level across California to both establish public banks and develop a broader policy vision of how we can realign public investment priorities to empower underserved and working-class communities.

12/ Question from Robin Sunbeam

Are there branches of the BND in each major city? What about branches in each county?

Answer: The Bank of North Dakota is located in Bismarck and has offices with lending officer staff members in Fargo, Grand Forks and Minot. It has no branches, but has partnerships with a majority of financial institutions throughout the state. The <u>operating policy</u> states that the BND shall be "helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions."

13/ Comment from Marybeth Gardam

Think what that might allow us to do in repairing water infrastructure in places like Flint MI. Or repairing bridge and transportation infrastructure.

Denying billions to Wall Street banks would also limit their ability to fund fossil fuel and extractive industries, war and weapons contractors, and thousands of climate-denial lobbyists and other anti-people legislation lobbying.

Answer: We agree!

14/ Question from Robin Sunbeam

What is PPP?

Answer: The Paycheck Protection Program (PPP) was an SBA-backed loan that helped businesses keep their workforce employed during the COVID-19 pandemic.

15/ Question from Bert Feuss

Sounds like the role of a CDFI. How different or additive?

Answer: Public banks will operate as banker's banks working in conjunction with CDFIs, so their role is additive. Public banks will assure that municipal receipts and investments are distributed locally and broadly for the benefit of residents. 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. 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.

16/ Question from Clifford Oliver

What makes Public Banking any different than a Community Bank or Credit Union? Especially if still reliant on the Fed, World Bank etc.

Answer: Credit unions are owned by defined customer members and are accountable to their depositors, and not the general public. Public banks are owned by local governments so they are accountable to elected representatives and the communities in which they serve. Public banks support credit unions and community banks by making joint participation loans, providing them credit, purchasing their mortgages and cooperating in other ways that make more capital available to them to provide low-cost consumer services. North Dakota, with its state public bank, has more credit unions and community banks per capita than any other state. Credit unions are great alternatives to Wall Street banks and we strongly encourage people to do their banking with credit unions and local community banks.

17/ Question from Ruth Caplan

How does the BND relate to the Federal Reserve?

Answer: The Institute for Local Self-Reliance <u>states</u> that "BND provides other direct financial benefits to the state. It can borrow at the Federal Reserve's discount window, for example, and lend directly to local governments at lower rates than the municipal bond market provides."

Rather than depositing and investing our funds with commercial banks, California public banks will have a master account at the Federal Reserve, allowing it to lend and invest expansively using public funds.

18/ Question from Darius Mohsenin

What is the minimum capitalization needed for a PB to succeed? Billion? \$100 million?

Answer: Bank capitalization will be determined on a per city basis through a viability/business plan. Experts including Ellen Brown believe startup capitalization costs can start around \$100M, which is sufficient to create as much as \$1B in loans. The bank would start small and grow, as profits increase capital, more loans can be added.

19/ Question from Diego Mendoza

Where can we see Eric talk more about public banking? Does he have a social media we can follow and will CA PBA collaborate with Eric for more conversations again?

Answer: Eric does not have a social media presence. We look forward to future opportunities for collaboration. Stay posted on our mailing list for upcoming events.

20/ Comment from Abe Collins

From cooperating farmers in Vermont organizing ourselves to heal watersheds, build the future we want and practice economic democracy, thank you! Thanks to the CA organizers and public servants for all of your vision, work, and stunning progress. Thanks to Eric Hardmeyer for deep vision and decades of leadership. We are inspired, thankful, and growing cooperative, scientific, and land management infrastructure from the soil up to meet you all at the place where public finance is available to hire land managers to heal the land across watersheds, regions and continents. Awesome event and speakers. Thanks again. Onward.

Answer: You're welcome!

21/ Question from Barbara Monneette

How can I get a summary publication written by Eric Hardmeyer, re: his experience with public banks. Help me create something in St. Helena, Napa Co, Ca. Thanks. great meeting.

Answer: There is much information published on the Bank of North Dakota including a recent book written commemorating its 100th year celebration, *From Surviving to Thriving – The First* <u>100 Years</u>. Also, Yes! Magazine published a great article on the BND "*What a Public Bank Can* <u>Do for Real People:</u> North Dakota has the only state-owned bank in the nation. Advocates say it's a model for getting state tax money invested in communities."

Thank you!

22/ Question from Bill Dodge

What appears to be the right size for a public bank in California?

Answer: Realistically, there is no right size. For example, a public bank for larger cities with greater financial resources such as LA, the East Bay Region, or San Francisco will be very different from smaller communities who may choose to make deposits in their nearest public

bank. Constructing local public banks in California is uncharted territory, so the challenge, and as well as an exciting opportunity, will be figuring out which size and what structure is most appropriate for each community.

23/ Question from Sandev Resident

Across the nation big investment corporations are buying up mobile home parks which are the most affordable options for the middle and lower classes to have housing and then doubling rents or evicting residents to build condos. Can public banks loan money to residents to buy their own parks or to nonprofits willing to buy the parks and convert them to community land trusts?

Answer: Great question and such a critical issue. This is exactly the type of activity that public banks can participate in. All of the public bank proposals that we are working on put a high priority on affordable housing and community-based models of ownership, so any project that is aimed at preserving affordable housing would be something that California public banks would be interested in financing.