

# CALIFORNIA NEEDS A STATE PUBLIC BANK

INVESTING IN HOUSING • SMALL BUSINESSES  
GREEN ENERGY • COMMUNITIES



RECLAIMING OUR MONEY FOR THE PUBLIC GOOD



CALIFORNIA PUBLIC  
BANKING ALLIANCE

# WHY CALIFORNIA NEEDS A STATE PUBLIC BANK

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## The Moment We're In

California faces a convergence of crises. Local and state budgets are in deficit. Funds for affordable housing construction and the modernization of infrastructure are severely lacking. At the same time, the federal government is pulling back. Federal funding and support for housing, climate, and infrastructure are being drastically reduced or eliminated by the Trump Administration. Just as our communities critically need affordable housing, small business credit, and climate investment, the federal government is stepping away.

We cannot afford to wait for change at the White House! California already has a strong foothold in public finance through the Infrastructure and Economic Development Bank (IBank). But IBank's current mandate and means are limited. California can improve its resilience and self-sufficiency by transforming the IBank into a State Public Bank. A State Public Bank would ensure California's money works for Californians by lowering borrowing costs and prioritizing urgent unmet needs.

A full-fledged state bank can do what the IBank cannot: take deposits from state agencies, municipalities, and public funds, which creates lending power far greater than a revolving loan pool. Deposits multiply into credit, allowing the bank to issue many times more loans while also providing capitalization and liquidity to help seed local public banks.

We first introduced the California State Public Bank Act in 2020, at the height of the pandemic, only months after the California Public Banking Act was signed into law. At that time, too many competing priorities kept the bill from moving forward. Today, with deficits mounting and further crises unfolding, the urgency could not be clearer; now is the moment to create a State Public Bank.

# What a State Bank Can Do

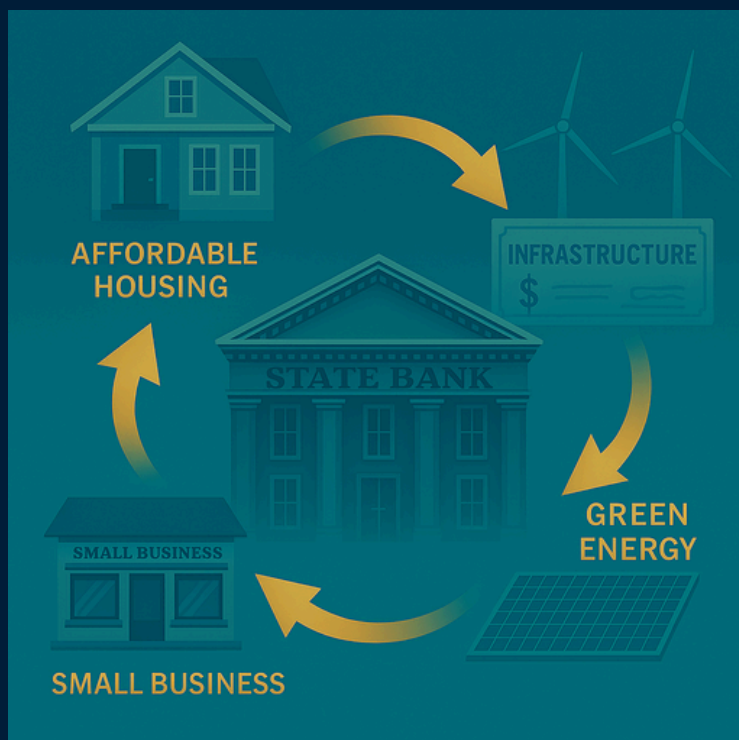
## Immediate Lending Authority.

California can accelerate lending right away, without waiting years for a federal charter. Building on IBank's current structure, the state could:

- Leverage its capital up to ten times to finance affordable housing, climate projects, and small businesses at lower cost.
- Buy short-term notes directly from cities and counties, saving them millions in interest and underwriting fees.
- Expand the capacity of existing revolving loan funds for housing, infrastructure, and small business needs.

## Lift the Housing Ban.

California's affordable housing crisis demands more than existing tools can deliver. The Governor's creation of the California Housing and Homelessness Agency (CHHA) will integrate and streamline current programs, but municipal agencies and the California Housing Finance Agency alone cannot meet the scale of need. A State Public Bank can complement CHHA by creating a State Housing Investment Facility that brings new financing capacity to the table, supporting affordable housing, ADUs, social housing projects, preservation, and retrofits. By removing IBank's prohibition on housing, California can add credit capacity alongside CHHA's program alignment, ensuring that every available dollar and new dollar of public credit is leveraged to build and preserve homes.



## Expand Small Business Lending.

IBank's Small Business Finance Center is one of the few state tools for entrepreneurs, but it is small in scale and capped in what it can offer. By scaling it up through increasing capitalization, raising loan limits, and making eligibility more accessible, a California State Bank could build on existing partnerships with local lenders: community banks, credit unions, and CDFIs, to extend affordable credit to women-, immigrant-, and minority-owned businesses that have long been shut out by commercial banks.

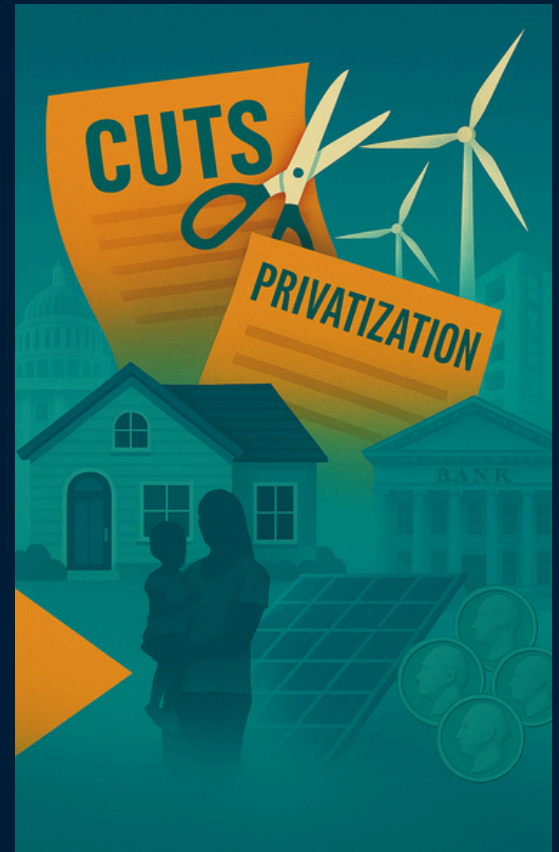




## Why Now

The Trump Administration's record of illegal impoundments, improper and coercive attempts to modify or terminate already-awarded funding, rescissions, and requests to deeply slash the federal budget going forward make the case for a public bank more urgent than ever. The threat is immediate and concrete.

- HUD funding is slated to be cut nearly in half, jeopardizing housing for over 90,000 Californians. This comes on top of the Administration's illegal "cancellation" of already-awarded HUD grants, like those under the Green and Resilient Retrofit Program, some of which remain in limbo.
- Federal programs like Fannie Mae and Freddie Mac, cornerstones of the mortgage market, are under threat of privatization, which would raise borrowing costs and put homeownership further out of reach for working families.
- The federal CDFI Fund is under attack by the Trump Administration, which would strip an essential source of reinvestment funds from low-income communities.
- Federal climate and energy funding is in chaos. The IBank's \$446 million share of the National Community Investment Fund (NCIF) is frozen pending litigation, the EPA is attempting to illegally terminate California's \$250 million Solar for All grant, and \$590 million for the state's home energy rebates is stuck in limbo. At the same time, the Administration is trying to dismantle federal greenhouse gas rules, attack the state's cap-and-trade program, and completely eliminate programs like the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP). The Republican-passed reconciliation bill rescinded another \$24 billion in federal climate and energy funds and gutted tax credits for renewables, while solar and wind are under a multi-pronged Executive Branch attack.
- Proposals in 2025 to weaken or abolish the FDIC threaten deposit insurance nationwide. California needs its own public-deposit guarantee to protect state and local funds.



Policies from the Trump Administration are slowing progress on housing and climate while punishing small businesses with devastating tariffs. California needs its own financing engine to meet our goals and fight back.



## How It Works for Communities

- Lending could begin within a year, delivering immediate financing for housing and public projects.
- Local governments will save money by avoiding Wall Street fees and inflated interest rates.
- State and local resources can be pooled, keeping dollars circulating in California communities.
- Risk controls, audits, public reporting, and a robust governance and oversight structure are needed to ensure transparency and accountability as the bank builds toward becoming a depository.

A State Public Bank would not only deliver financing directly, it could also strengthen the emerging network of city-and regional public banks underway across the state.

## State-Local Public Bank Synergy

California's city-and-regional public banks, authorized by the [California Public Banking Act](#), are beginning to take shape. These institutions will be crucial for community-level lending, keeping dollars circulating locally and meeting needs on the ground. But on their own, their reach is limited. A State Public Bank creates the scale to match California's role as the fourth-largest economy in the world.



By pooling statewide resources, it can provide funds for capitalization, liquidity support (including buying short-term notes directly from cities and counties), and technical assistance to accelerate the launch of municipal public banks and expand their impact. Shared back-office infrastructure lowers operating costs, while participation lending reduces risks for local community banks and CDFIs to take on bigger projects. At the state level, a public bank can focus on projects that impact large swaths of Californians, such as major infrastructure improvements, expansion of affordable housing, and climate investments that no single city or regional bank could finance alone.



A State Bank coordinating with local public banks will form a secure and stable financial system paired with local accountability and responsiveness. It's the only way to build financial power that is required of and deserved by the world's fourth-largest economy!

## The Opportunity

By establishing a State Public Bank, California can move faster, save money, and protect communities from threats at the federal level. The 2026 State Bank legislation is still being developed. Core questions like capitalization, governance, and oversight are on the table, and we want these decisions to be shaped with community and stakeholder involvement. This is a chance to build the bank's foundation in a way that reflects public priorities and ensures it is accountable from the start. To make the vision of a state public bank a reality, we'll need legislative champions and community leaders working together to lead the way in Sacramento. This campaign will be broad-based, driven by the many intersecting issues we face and the urgency of this moment.

Enabling legislation in 2026 should authorize immediate lending, strike the IBank housing prohibition by creating a Housing Investment Facility, establish strong risk, audit, and reporting guardrails, and engage cities, counties, workers, communities, and other stakeholders to build a shovel-ready project pipeline. Launching a State Public Bank now is the safest way to financially protect Californians, fund the investments we need, and keep our dollars working here at home.



# LEARNING FROM THE STATE-OWNED BANK OF NORTH DAKOTA



## The BND

The publicly-owned Bank of North Dakota (BND) has earned record profits for 20 years straight, including \$191 million in 2023. Beyond its balance sheet, BND shows how a public bank can strengthen local economies by supporting small businesses, infrastructure, and affordable housing.

The California Public Banking Alliance partnered with the University of Michigan, Beneficial State Foundation, Small Business Majority, and Demos to produce this report, [Public Banking in California: Learning from the Bank of North Dakota](#), which explores BND's potential as a model state public bank and outlines the positive impact public banking could have in California.

## A Proven Concept: 100+ Years of Success

- The Bank of North Dakota has operated since 1919, started by Progressives and now maintained in an overwhelmingly Republican state, proving the durability and effectiveness of a state-owned public bank.
- The bank finances affordable housing projects at interest rates between 1% and 5%, compared with California's typical 5% to 15%. That difference can save \$150,000 to \$200,000 per unit in development costs.
- The Bank of North Dakota has earned record profits for 20 years straight, including \$192.7 million in 2023.
- Its return on equity was 18.2% return on investment in 2023, well above the ~11% average for similarly sized community banks.



## A Proven Concept: 100+ Years of Success

- Since it was created, the bank has returned more than \$1 billion to North Dakota's general fund. In the 2023–25 biennium alone, it transferred \$335 million to the state treasury.
- One-third of its balance sheet is dedicated to small business lending: \$3.65 billion out of \$10.15 billion in assets in 2023.
- The BND has consistently supported agriculture, small businesses, housing, and infrastructure, while maintaining profitability and stability.

## Partnership Model

- BND operates as a “banker’s bank,” expanding the presence of local banks and credit unions by partnering rather than competing with them.
- It increases loan sizes, provides guarantees, and buys down interest rates, expanding affordable lending capacity for local institutions.
- This partnership model strengthens community banks, protects them from Wall Street competition, and keeps capital circulating locally.

## Small Business Support

- Small businesses are the backbone of North Dakota's economy; BND holds \$3.65B in business loans out of \$10.15B in assets (2023).
- Programs like Flex PACE provide low-interest loans and buydowns for community-serving businesses, from child care to affordable housing projects.
- During the 2008 Great Recession and the COVID-19 crisis, BND expanded lending while private banks pulled back, acting as a counter-cyclical stabilizer.

## Affordable Housing

- BND lends at 1–5% interest rates, far below California's typical 5–15%.
- Lower rates can save hundreds of thousands of dollars per unit, directly reducing development costs and enabling lower rents.
- Community buydowns allow residents to invest directly in housing projects, creating oversight, accountability, and affordability.





## Resilience in Crisis

- BND disaster relief funds have supported farmers, ranchers, and communities facing floods, droughts, and climate impacts:
  - \$100M in low-cost loans after the 1997 Grand Forks flood.
  - Agriculture Disaster Relief Program reserved \$200M for farmers impacted by droughts, wildfires, and price volatility.
- These programs stabilized local economies when federal or private aid could not.



## Community Wealth Building

- BND loan programs have managed over \$1 billion in assets for schools, water projects, and sustainable energy initiatives.
- Financed infrastructure and community facilities such as hospitals, water systems, and disaster recovery at 1–2% interest, cutting costs for local governments and keeping wealth local.



## Lessons for California

- California's IBank already shows parallel capabilities but lacks deposit authority. Converting IBank into a true public bank, like BND, would unlock far greater lending capacity.
- California's scale as the world's 4th largest economy means the impact could be exponentially greater than North Dakota's.
- Tailored programs can address California's unique needs: housing, climate resilience, small business capital, and racial wealth equity.

The Bank of North Dakota has proven that public banking works, generating record profits while investing directly in its communities. Globally, public banks manage over \$91 trillion in assets, representing nearly half of the world's banking assets, showing that this model has an enormous impact. If North Dakota, with fewer than a million residents, can run a bank for over a century that benefits its people, California, with an economy 82 times larger, can do the same on a transformative scale.

