

# Public Banking in California: A Pathway to Community Wealth Building and Inclusive Local Economies

November 19, 10:00 am - 11:00 am PST



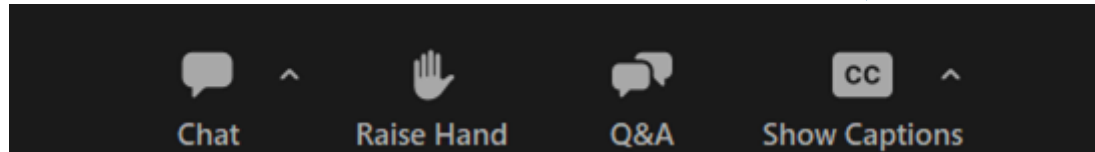
# Webinar Control Panel

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**Q & A BOX**  
to be addressed during  
discussion breaks or during  
Q/A

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AFN is the leading national grantmaker membership organization focused on advancing equitable wealth building and economic mobility.

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**Business  
Ownership**

**Financial  
Health**

**Employment  
& Income**

**Education**

**Health**

**Housing**

**The Wealth  
Gap**

# Speakers



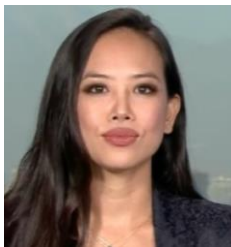
**Bianca Blomquist**  
California Director  
Small Business Majority



**Eric Payne**  
Executive Director  
The Central Valley Urban  
Institute



**Sophia Rodriguez**  
Program Officer  
Y&H Soda Foundation



**Trinity Tran**  
Co-Founder  
California Public  
Banking Alliance



**Rebeca Rangel**  
Bay Area Program  
Officer  
Asset Funders  
Network



CALIFORNIA PUBLIC BANKING ALLIANCE

# PUBLIC BANKING: FINANCING CALIFORNIA'S FUTURE

Investing in California's public banks to empower communities,  
expand financial equity, and build sustainable development.





# Who We Are

The **California Public Banking Alliance** (CPBA) is a grassroots, all-volunteer force of advocates from 10 cities and regions across the state, united to build public banks that put social and environmental responsibility at the heart of finance.

Public banking can radically transform California cities and regions. Rooted in the California Public Banking Act, these banks reinvest public dollars where they're needed most—into communities.



# The Problem with the Banking System



## Wasting Taxpayer Money

Cities like Los Angeles drain over \$1.5 billion annually on fees to private banks, with nearly 50% of infrastructure costs going to interest.



## Restricting Affordable Credit

32% of entrepreneurs of color in CA struggle to access capital. Megabanks prioritize profits, restricting affordable credit in underserved communities.



## Blocking Local Investment

Affordable housing needs 12+ funding sources, stalling progress and trapping cities in reliance on private banks, limiting community investment.



# The Solution: Public Banks

- **Community-Owned:** Like schools, fire departments, and parks, public banks are owned by cities, counties, or states to serve public needs.
- **Reinvesting Locally:** Earnings support projects like affordable housing and infrastructure—not shareholders.
- **Public Funds at Work:** Taxes, fees, and revenue are deposited and leveraged to benefit the community rather than private profits.
- **Economic Partnerships:** Collaborate with local lenders to expand affordable credit and strengthen local economies.



# What Sets Public Banks Apart

- **Not-for-Profit Mission:** Tax-exempt, reinvesting profits directly into community projects.
- **Cheaper Borrowing for Cities:** Lowers debt costs for local governments, freeing up resources for essential services.
- **Local Wealth, Local Impact:** Keeps public funds circulating in the community instead of Wall Street.
- **Lean & Efficient:** No ATMs or retail branches—operates as a wholesale “banker’s bank” with low overhead.
- **Independent Governance:** Professionally managed by finance experts, not politicians, ensuring transparency and accountability.



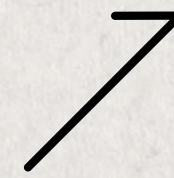


## Direct Community Benefits

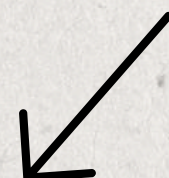
Investments in affordable housing and small businesses build resilient communities, with revenue and profits returning to the municipalities that own the bank.

## Taxpayer Savings

Public banks support local economies, building a stronger tax base for cities and counties to fund essential services and community programs.



# Benefits of Public Banks



## Double Community Investment Power

Reducing borrowing expenses by nearly 50%, empowering cities to double their investment power.

## 10x Multiplier!

Public banks recirculate funds locally, creating a 10x multiplier effect that amplifies investments. \$10M in a public bank can generate up to \$100M in lending.



# California's Public Banking Framework

## CALIFORNIA PUBLIC BANKING ACT (AB 857, 2019)

Grassroots win led by the California Public Banking Alliance. The first state legislation in the U.S. enabling municipalities to establish their own public banks.

Under California law, public banks are not-for-profit, tax-exempt institutions, created to save costs, strengthen local economies, support community development, and address infrastructure and housing needs. Regulated by state and federal agencies.



Bank of North Dakota:  
America's 100-year-old  
public bank.

The state-run Bank of North Dakota (BND) has consistently shown how public banks can generate millions in returns for their communities.

- 18% return on investment in 2023.
- Distributed more PPP loans than any other state during the pandemic.
- Without bonuses, commissions, high-paid CEOs, shareholders, or ads, profits return to the people.

**Public banking  
works.**

**Proof of concept:  
Bank of North  
Dakota.**



# Transforming Local Economies: Targeted Community Impact



## Affordable Housing

California funds only 12% of needed affordable housing. Public banks can streamline funding, simplifying credit access for non-profit developers.



## Green Energy

Public banks could fund clean energy and sustainable infrastructure, filling funding gaps, and supporting climate goals.



## Racial Justice

Public banks dismantle redlining legacies by providing affordable capital to historically marginalized communities of color.



# Status of California's Public Banking Initiatives

**Central Coast:** Four-county regional public bank: Santa Cruz, Santa Barbara, Monterey, and San Luis Obispo. Ten jurisdictions approved resolutions for a viability study.

**East Bay:** Jointly owned by Oakland, Berkeley, Richmond, and Alameda County. Board candidates finalized, business plan completed. Working on capitalization.

**Los Angeles:** City Council approved funding for Phase 1 of the LA Public Bank feasibility study and business plan in May 2024.

**Sacramento:** City Council released RFQ for consultants to develop viability study and business plan in August 2024.

**San Francisco:** Board of Supervisors approved plans for a public bank and interim green bank in June 2023. Business plan completed. Working on capitalization.

**CPBA Expansion Areas:** Fresno, Humboldt County, North Coast, Pomona Valley, San Diego.





# SUPPORTED BY OVER 250 NATIONAL, STATEWIDE & REGIONAL ORGANIZATIONS





# California Public Banking Option Act - CalAccount

CALIFORNIA PUBLIC BANKING ALLIANCE

## CALIFORNIA PUBLIC BANKING OPTION ACT (AB 1177, 2021)

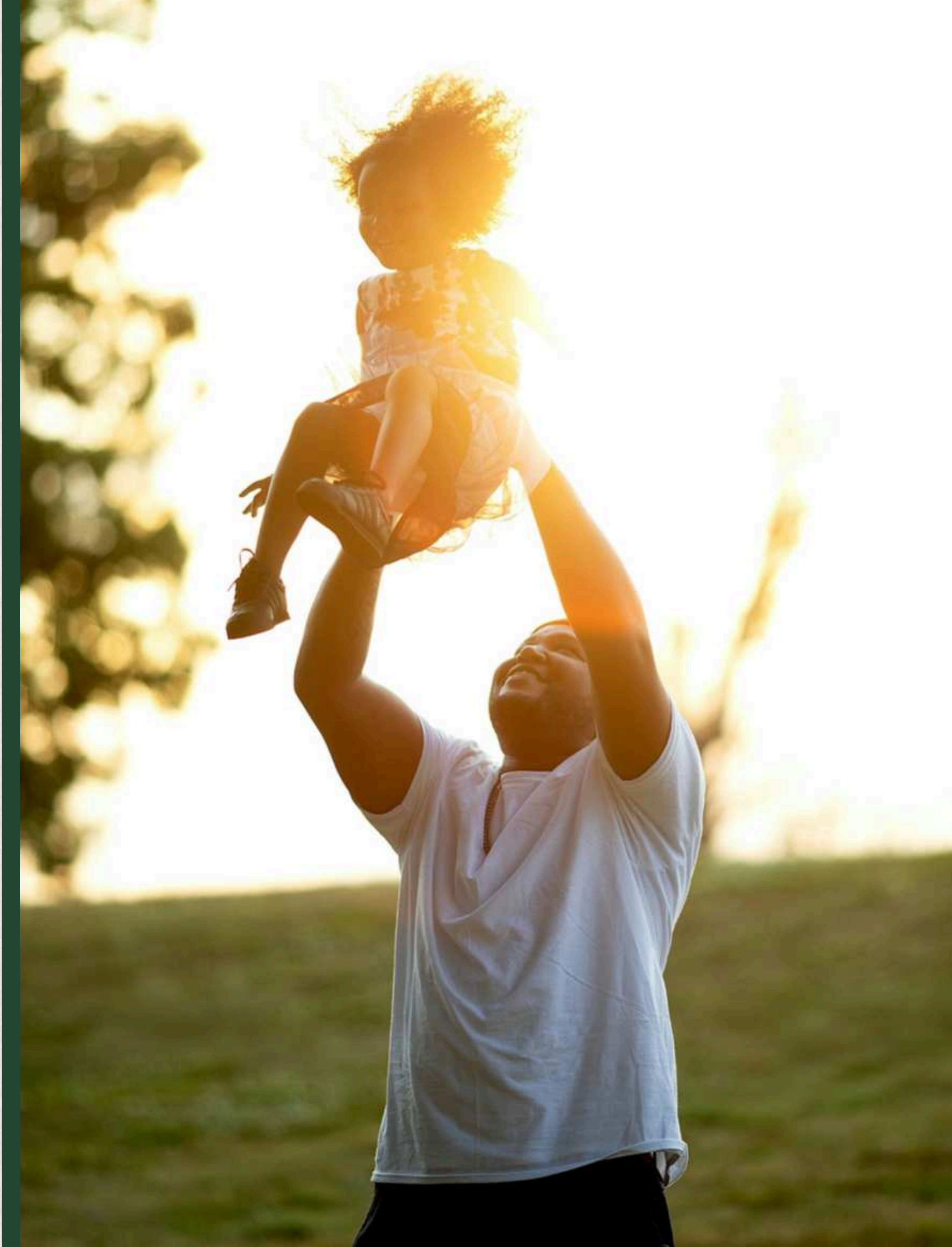
Created a Blue Ribbon Commission to evaluate the feasibility of CalAccount, a fee-free banking program for unbanked Californians.

Once implemented, CalAccount will be the nation's first state-run universal banking program.



# CalAccount: Fee-Free Banking For All Californians

- **End Banking Inequality:** Nearly 20% of CA households, including 30% of Black and Latino families, are unbanked or underbanked.
- **Public Banking Option:** CalAccount offers state-run, free checking accounts with debit access for all Californians.
- **Closing the Financial Gap for Millions:** CalAccount provides safe, free banking for 8 million Californians lacking access.
- **Economic Impact:** CalAccount would save residents \$3.1 billion in fees, adding nearly \$5 billion to California's economy each year.





# Trinity Tran

## California Public Banking Alliance

[info@capublicbanking.com](mailto:info@capublicbanking.com)

Learn more at: [capublicbanking.com](https://capublicbanking.com)  
[capublicbanking.com/movement-resources](https://capublicbanking.com/movement-resources)



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# A Public Bank for Every Small Business Owner: Supporting California's circular economies

Tuesday, November 19





# About Small Business Majority



- **Empower America's small businesses** and the self-employed to ensure they are empowered to drive a thriving and equitable economy—special focus on advancing the smallest businesses and those facing systemic inequalities
- **Network of more than 85,000 businesses**—ten offices across the country
- **Advocacy**—access to capital, entrepreneurship, healthcare, benefits, infrastructure and taxes—supported by ongoing research
- **Education and resources**—webinars, seminars and social media—in partnership with more than 1,500 business and other partner organizations—online resource hub: **Venturize.org**



# About Small Business Majority: Our Model

## RESEARCH

Start with extensive research (polling, economic studies) to gauge small business owner views and speak to their bottom line



## EDUCATION

Partner with business groups to hold seminars and roundtables to educate small business owners and get their personal views



## ADVOCACY

Enact change by elevating small business views in public policy debates



## NETWORK

Use real small business voices with lawmakers and the media



(more than 20,000 earned media hits)





## > Topics of discussion

- **The power of small business**
- The access to capital problem
- CDFIs and public banks



The power of small businesses

## Small businesses in California

### There are **4.1 million** small businesses in California

- **1.6 million** of those businesses are minority owned
- Small business owners created more than **280k net new jobs** since the Great Recession





The power of small businesses

## Small businesses by the numbers

Small business owners are the nation's leading job creators.

- They represent 99.7% of all employer firms
- Six million small businesses **employ 40 million Americans**
- Roughly half of America's private-sector workforce

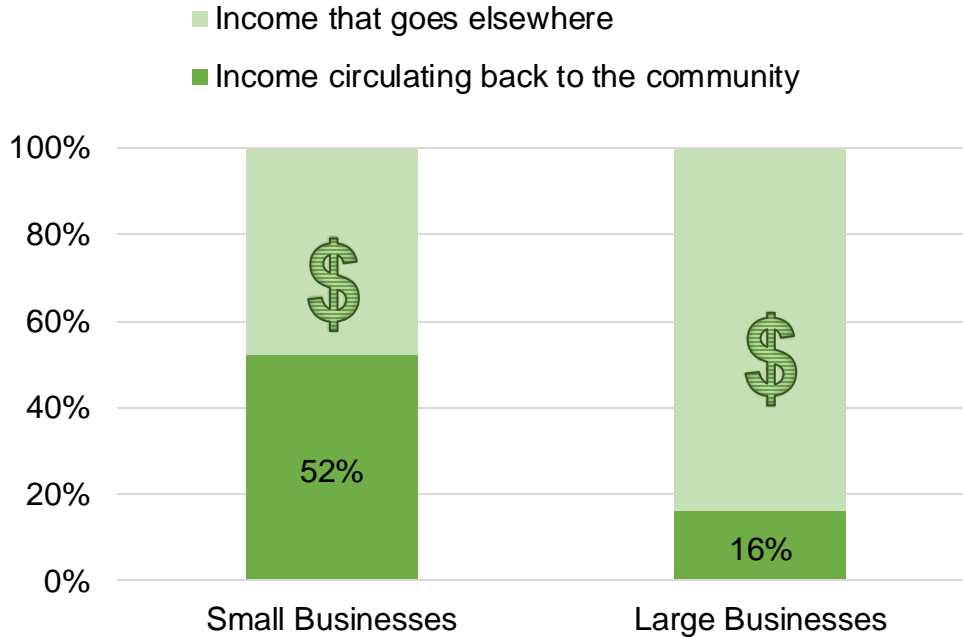






The power of small businesses

The role of small businesses in our communities



> Small business owners recirculate **52% of their revenues** locally, compared with national chains who circulate just **16% of revenue.**



## > Topics of discussion

- The power of small business
- **The access to capital problem**
- CDFIs and public banks

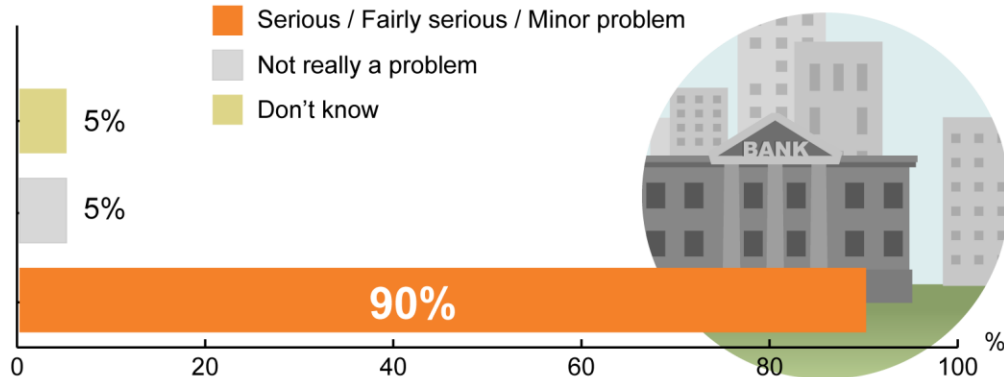


# > The access to capital problem

## The dilemma

### Our scientific opinion polling:

90% of small businesses say the availability of credit is a problem



- > • The availability of capital is crucial for small business startup, survival, and growth.
- Only 18% of small businesses ever access a bank loan.
- Small businesses still struggle to access capital post-recession.



The access to capital problem

Women and minority owned businesses

- **Women and minority owned firms face significant barriers**
  - Typically smaller in size, start with less capital
  - Lower approval rates for bank loans and at smaller dollar amounts
  - More vulnerable to predatory lending





## The access to capital problem

# Alternative online lenders

A new breed of lenders are innovating small business lending landscape, expanding new options for entrepreneurs, called alternative, online loans -

- This is a huge market--**multiples greater than traditional SBA lending** for small business owners. For example, SBA lending totaled \$5.3 billion in 2019, for amounts below \$500k. MCAs = \$19 billion; Invoice Factoring = \$100 billion
- Simple, streamlined application process; quick approval and delivery of funds; use of technology and new sources of social information and data to assess a small business owner's "risk" of default
- Business owners of color are 2x as affected by what Federal Reserve reports call "potentially higher-cost and less-transparent credit products."
- Small business owners across the state –especially women and BIPOC- are overpaying for financing and are sometimes pushed into bankruptcy due to high-cost financing and opaque pricing terms. California-specific research finds that the average of online high-cost financing charged small businesses about 2x what the small business could afford to repay—leading to a payday-like "debt trap" cycle of reborrowing. (see [Unaffordable-and-Unsustainable-The-New-Business-Lending-on-Main-Street\\_Opportunity-Fund-Research-Report\\_May-2016.pdf](#))
- Not all online lenders are equal, and **some mask very high rates and are largely unregulated:**
- The CFPB has no authority for oversight of these products, and small business financing generally, making the need for DFPI oversight all the greater.



**Small business owners must proceed with caution!**





The access to capital problem

Show of hands



- > How much, **on average**, are small business owners paying to finance their business through alternative online lending?



## > Topics of discussion

- The power of small business
- The access to capital problem
- **On the horizon**



On the horizon

## Public banks for wealth-building



A July study conducted by the [Center for New York City Affairs](#) at The New School on the potential of public banking in New York City found that, **in its first five years**, a public bank would generate 70,600 local jobs, and \$5.8 billion in lending for community-wealth building initiatives in Black and brown communities – **including about \$2 billion for local small businesses**, with a particular focus on MWBEs.





On the horizon

## Public banks for mission-driven lending

Public banks will work with CDFIs to direct more funds to underinvested neighborhoods and communities:

- Stable, local funding will reduce CDFIs' reliance on federal or private funding, allowing for better investments and expansion
- Allows CDFIs to offer more flexible loan products tailored to low-income, immigrant, and BIPOC populations and community projects that traditional banks tend to overlook
- Public banks can help CDFIs support businesses with limited credit histories or collateral, particularly new and growing enterprises, and technical assistance



On the horizon

## Public banks for small business owners



“Our credit union has a strong track record of serving communities of color. . . By partnering with – and investing in – CDFIs, a public bank would increase our capacity to serve even more communities and provide funding to worker-owned businesses and MWBEs that have been ignored by the big banks.”

- **Linda Levy of the Lower East Side People’s Federal Credit Union.**





## Join Our Network



### Ways to get involved:

- Receive a monthly newsletter
- Share your story for media requests
- Letters to the editor/Op-eds
- State events/Roundtables
- Fly-ins
- Webinars for business organizations

### Connect with us!



Small Business Majority



@SmlBizMajority



smlbizmajority



Questions?

## Bianca Blomquist

California Director

Small Business Majority



### Connect with us!



Small Business Majority



@SmlBizMajority



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Public Banking in California: Pathway to Community  
Wealth Building and Inclusive Local Economies





## North Star Goal:

Economic Growth that is based on transformed infrastructure and systems that enable historically excluded racial minority communities to prosper through Public Banking as a key driver for success



# Data for Action

1. Galvanize partners around a shared vision and call to action
2. Foster Trust and cultivate community assets that create sustainability in the public banking space
3. Create conditions for courageous conversations about race, place, and capital access to underserved communities.
4. Harness cultural, political, and financial capital for inclusive investment
5. Using data for learning and leveraging public private funding are critical for the road to community transformation and campaign narrative storytelling



# Public Bank East Bay Model

- **Owned** and capitalized by local cities and Alameda County.
- **Governed** by 15-member board with majority community members.
- **Partners** with local financial institutions to increase their capacity.
- **Regulated** by state and FDIC.
- **Will grow** into taking municipal deposits and providing banking services for the cities and county, charging low, fair fees.





# PBEB Progress



**Public Bank East Bay Viability Study**



Prepared by Tom Sgouros  
Commissioned by Friends of the Public Bank East Bay  
March 2022



- **Completed a comprehensive Viability Study and Business Plan.** PBEB's business plan also serves as the charter application to the California Department of Financial Protections and Innovation and the Federal Deposit Insurance Corporation.
- **Recruited a diverse slate of Board Candidates,** including representatives from each municipality and county, as well as subject matter experts in affordable housing, small businesses, and green energy.
- **Raised more than \$1 million,** with support from foundations and the County to fund start-up costs.



# What's Next for PBEB

## ○ Capitalization

- \$40 million goal
- budget appropriations and investment pool funds from government entities
- PRIs from foundations



**AFN** ASSET  
FUNDERS  
NETWORK  
Grantmakers Advancing Economic Equity

