PUBLIC BANKS
ADVANTAGES AND BENEFITS

The California state legislature passed AB 857, the Public Banking Act, on September 13, 2019. On October 2, 2019, Governor Gavin Newsom signed AB 857 into law. For the first time in history, California taxpayers' money can flow back into our local communities, rather than increasing Wall Street shareholder profits. Unlike Wall Street privately-owned banks, which are focused solely on private shareholder returns, public banks will leverage their deposit base and lending power to benefit the communities they serve. These banks will focus on pressing local needs and fiscally prudent investments, including affordable housing, small business loans, and public infrastructure projects.

1 Public banks are safer than the alternative.

- Public banks will face increased oversight compared to a local government's current bank options. Public banks will be regulated by the FDIC and the California Department of Business Oversight (DBO).
- Public banks will form as a public benefit corporation or social purpose corporation separate from its local government owner(s). All debts and liabilities remain with the bank, not with its owner.
- Public banks will be collateralized and FDIC insured.

2 Public banks save money.

- Cities and counties pay billions per year in interest, all to private banks, controlled by a handful of shareholders, who reap record profits year after year. Nearly 50% of the cost of all infrastructure projects goes towards paying interest and fees. If we deposit city money and fund public projects through a public bank, we can halve the cost of infrastructure, doubling our power to invest in our own communities.

3 Public banks enable local control.

- Public banks leverage their deposit base and lending power to benefit the public. This allows public banks to focus on pressing local needs such as: rebuilding after natural disasters, local infrastructure including roads, parks, schools and renewable energy projects, affordable housing projects, and small businesses.

4 Public banks enables divestment.

- Mega-banks profit from financing fossil fuels, private prisons, destruction of communities, and other reprehensible activities that our communities actively fight against. Public banks can be a much-needed alternative to the big banks and help counteract the risky trend towards bank consolidation, and serve as a source of strength for local economies.

5 Public banks partner with community banks and credit unions.

- The Public Banking Act restricts public banks from offering retail services where consumer and commercial markets already adequately serve constituents. Public banks will partner with local banks and non-profit credit institutions to extend credit to communities and expand services to the underbanked.

6 Public banks create jobs.

- Public banks give local government the ability to directly support small business through economic policy without relying on federal or state resources. Small business remains the core economic driver for long term economic stability for California families. Small and medium-sized businesses continue to struggle with access to needed lending and capital access to develop and scale.

7 Public banks are managed by banking professionals.

- The Public Banking Act enforces layers of fiscal oversight, governance and organizational structure that ensures highly ethical business practices when it comes to the management of public monies.

8 Bank of North Dakota is a successful precedent.

- The Bank of North Dakota (BND), the nation's only existing public bank, recorded its 15th consecutive year of record profits in 2018.
- Since 2000, BND has returned 464 million dollars to the state general fund.
- BND, in partnership with local banks and credit unions, promotes economic development within the state and has been profitable for many years. Recently, several states and cities across the nation have started exploring the feasibility of creating public banks.