

# AB 310

## CALIFORNIA STATE PUBLIC BANK

### SUPPORTS COMMUNITY FINANCIAL INSTITUTIONS

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**A California State Public Bank will be a partner lender to community banks, credit unions and CDFIs, and will accept only state and local government deposits.**

Most states, like California, have seen a massive drop in the number of community banks and credit unions, forcing individual and business depositors into Wall Street banks. One profound exception is North Dakota where local financial institutions are backed by a public bank, the Bank of North Dakota. As the only state-owned bank in the country, it is one of the few banks that thrived during the 2008 recession. California should have its own state public bank.

AB 310 would expand the existing California Infrastructure Bank (IBank), first into a COVID-19 relief loan fund and then into a full-fledged public bank that accepts deposits from the state and its agencies. In its new roles, our new state bank will do most of its lending in partnership with California community banks, credit unions, and community development financial institutions (CDFIs) enabling more lending, targeted to the Californians who need it most, with reduced risk due to state bank participation.

#### **A SHARED PURPOSE AND ETHOS.**

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Credit unions are owned by their customer members, not private shareholders. Customers open accounts because they know that their credit union or community bank is focused on providing them the best services, not on maximizing profits for distant shareholders. Our state bank will be owned by our state residents, not by private shareholders. All of these institutions, along with impact investments (CDFIs), put the interests of local communities first.

#### **OUR STATE BANK WILL KEEP MONEY LOCAL.**

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A state bank will invest in California projects, through California local financial institutions, with California results. Unlike Wall Street banks that funnel the money into industries for a purely profit motive, the public bank will strengthen our state and our communities by keeping money where it was created and ensure that local financial institutions reap the benefits of bank fees and interest for state-bank backed projects.

#### **OUR STATE BANK WILL SAVE CALIFORNIA MONEY.**

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California pays billions per year in interest to banks which are collecting record profits from COVID-19 manipulations. Nearly 50% of the cost of all state infrastructure projects goes towards paying interest and fees. Money from our cities and counties, deposited into the new public bank, will fund public projects, putting money in the hands of California businesses and individuals, who can then take advantage of local bank options with their own increased spending power. A state bank can leverage capital up to ten times—every dollar of capital enables ten dollars of loans. Our state bank will partner with community financial institutions to distribute funds for the state's needs, including hospitals, schools, affordable housing, and climate change infrastructure.