

# AB 310

## CALIFORNIA STATE PUBLIC BANK

### SUPPORTS SMALL BUSINESSES

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The California State Public Bank will create a new lending window for small businesses, focusing especially on communities of color.

The federal response to the COVID-19 pandemic has sent a disproportionate amount of financial support to private equity and large firms with deep banking relationships, ignoring most of the state's small businesses, especially unbanked and underbanked businesses.

The California State Public Bank will open a lending window that offers below-market-rate loans to small businesses. These loans will fill a gap commercial banks have failed to address. Even when our economy is humming along, commercial banks have long made credit more costly for small businesses in underserved communities. Our State Public Bank will support low-interest loans for small businesses left behind by federal recovery efforts, and create a sustainable loan program to support small businesses in underserved communities.

### **OUR STATE PUBLIC BANK WILL SUPPORT SMALL BUSINESS ENTREPRENEURS OF COLOR.**

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The state's existing infrastructure bank (IBank) already supports some small businesses through loans and loan guarantees. With its expanded role, the State Public Bank will focus a portion of its lending on microbusinesses (with under 50 employees) in underserved communities and owned by women, indigenous people, or people of color. These businesses currently have to pay more to access loans, and they disproportionately employ service and retail workers. Targeted, below-market lending to such businesses will support the communities most vulnerable in this crisis.

### **OUR STATE PUBLIC BANK WILL EXPAND ACCESS TO CREDIT THROUGH LOAN GUARANTEES.**

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As an emergency provision, the State Public Bank will extend loan guarantees for below-market loans that any financial institution makes to small businesses, based on a set of equity-oriented criteria. The existing state infrastructure bank (IBank) currently offers such guarantees. The State Public Bank will grow the guarantee program and focus explicitly on underserved businesses. The loan guarantees create scale, by allowing any lender to rely on the credit of the State Public Bank when extending support to small businesses.

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

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The State Public Bank will invest in local businesses. Local economies will be more resilient with the State Public Bank standing behind our retailers, restaurants, and grocers. This will have a positive effect on local employment and local business tax revenue, creating a friendly climate for new businesses to launch locally and existing businesses to grow and thrive.