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PUBLIC BANK LOS ANGELES RESOURCE BOOKLET

**Your Guide to Building a Public Bank for LA:
Solutions for Affordable Housing, Green Energy &
Economic Resilience**





PUBLIC BANK LA

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ABOUT PUBLIC BANK LOS ANGELES

Public Bank Los Angeles (PBLA) is a volunteer-led organization that aims to establish a socially and environmentally responsible municipal bank for the city of Los Angeles. Founded in 2017, the group evolved from Divest LA, a successful grassroots movement that sought to divest Wells Fargo from the city's commercial banking services. The movement was rooted in the Defund Dakota Access Pipeline phenomenon and resistance from vulnerable communities victimized by unethical banking practices. The Divest LA Change.org petition to LA City Council was signed by nearly 38,700 supporters.

In 2018, Public Bank LA led Measure B, a Los Angeles ballot initiative to amend a section in the LA city charter to take the first steps towards the creation of a municipal public bank. With only four months to organize and less than 1/10 of the average budget needed to win a city-wide initiative, the measure did not pass but received 44% of votes in approval, with over 430,000 Angelenos supporting the ballot.

In 2019, Public Bank LA, a founding member of the California Public Banking Alliance (CPBA), passed Assembly Bill 857, empowering California cities, counties, and regions to form public banks. AB 857 was signed into law by Governor Gavin Newsom on October 2, 2019, legalizing public banking in California for the first time in history. This was the first legislation of its kind in recent history to authorize municipalities to establish their own public banks.

During the COVID-19 pandemic of 2020, PBLA and the CPBA collaborated on a State Public Bank bill to expand the existing California Infrastructure and Economic Development Bank (IBank) and increase its capacity for recovery lending for small businesses and community development infrastructure.

(continued)

ABOUT PUBLIC BANK LOS ANGELES

Public Bank LA led the advocacy efforts behind Los Angeles City Council's unanimous vote to move forward with creating a viability study and business plan for the LA public bank. On the national level, PBLA consulted with Congresswomen Rashida Tlaib and Alexandria Ocasio-Cortez's offices on the introduction of the federal Public Banking Act, a bill that would make it easier for states and local governments to form public banks.

Beyond supporting the creation of municipal public banks, PBLA has been instrumental in expanding access to essential financial services for all Californians. In 2021, PBLA helped pass AB 1177, the California Public Banking Option Act, in collaboration with co-sponsor SEIU California. The act, also known as CalAccount, was signed into law in October 2021. It aims to offer free debit cards to all Californians.

The [CalAccount](#) market analysis report, released on July 1, 2024, confirmed that the program is feasible and crucial for addressing the financial inclusion of unbanked Californians. The final report will incorporate public feedback from statewide town halls held in February and July 2024 and will be submitted to the Legislature for approval. The CalAccount Community Coalition plans to introduce legislation in the 2025-26 session to implement CalAccount, aiming to make it the first state-administered universal banking program in the U.S.

WHAT'S A PUBLIC BANK?

Public banks are financial institutions that are owned and operated by a government entity, such as a city or county, and focused on serving the public, not shareholders.. Public banks use their deposit base and lending power to support affordable housing, small business loans, infrastructure modernization, and other community needs, growing the local economy. They operate as tax-exempt non-profits, overseen by an independent board of directors and professional bankers while staying accountable to the communities they serve.

The benefits and advantages of a public bank in Los Angeles include:

- **Using deposited funds** makes loans and investments within the local community, positively impacting the economy and returning profits to the local government.
- **Leveraging resources** benefits the public through affordable housing, small business support, and infrastructure.
- **Being accountable to LA** ensures investment decisions reflect local values.
- **Ensuring transparency** allows public input in financial decisions.
- **Providing long-term capital** supports future projects.
- **Offering stable funding** reduces reliance on costly financial products from private commercial banks.
- **Prioritizing underserved communities** focuses on neglected areas.
- **Providing security** minimizes financial risks for public money.



PREPARING FOR FUTURE CRISES WITH A PUBLIC BANK

Public banks are the financial infrastructure we're missing.

Over the next few years, billions of public funds will be invested in efforts to stimulate the economy, improve infrastructure, and address climate change. Governments will rely on banks and other lenders to finance these projects, which may include investments in green energy, workforce programs, disaster relief, and other initiatives aimed at addressing social and economic inequalities. However, large Wall Street banks have traditionally controlled the distribution of these funds, prioritizing profits over addressing social and economic inequalities. It is important to consider alternative approaches, such as public banks, which prioritize the needs and values of the communities they serve by offering low-cost financing to small businesses and individuals, and investing in projects that align with community values. This can help to promote economic development and financial stability while addressing social and economic inequalities.

During the early stages of the pandemic, the Federal Reserve established the Municipal Liquidity Facility (MLF) to provide financial assistance to municipalities. However, high penalty rates and lack of access for smaller cities made this program unusable for many. Private banks took advantage of the cheap capital from Fed spending and distributed the bulk of Paycheck Protection Program (PPP) loans to large corporations, leaving small businesses and those owned by Black and Latino families out.

A public bank positions the city and county to be in the driver's seat when such programs are opened to financial institutions, which currently have a monopoly on the basic public utilities of municipal debt and the administration of public-purpose investment programs. A public bank empowers the city to be in the driver's seat when it comes to managing its finances and making sure that public funds are used for the benefit of all residents.

WHY LOS ANGELES NEEDS A PUBLIC BANK

A Los Angeles Public Bank will invest directly in Los Angeles to aid our economic recovery and reinvest in housing, transportation, clean energy, and jobs for Angelenos.


Los Angeles generates over \$8 billion in annual revenue through taxes, fees, and fines. The city holds cash reserves ranging from \$4 billion to \$12 billion and manages investments totaling up to \$45 billion for pensions and other funds. These funds are currently held in commercial bank accounts, which offer little to no interest. In 2016, the city paid over \$109 million in transactional and origination fees to these banks.

Despite this, some of these banks have been downgraded for their risky or fraudulent practices. Many of the city's investments support harmful industries, such as over \$70 million invested in tobacco companies alone. The firms managing these funds prioritize their own profits, using taxpayer money to inflate housing and capital markets, rather than supporting local economic development.



\$45B

Los Angeles manages over \$8B in annual revenue collected from tax, fee, and fine payers. It holds cash reserves of between \$4 billion and \$12 billion, as well as manages investments for pensions and other funds, totaling up to \$45 billion. These funds are currently held in accounts at commercial banks, where they earn minimal interest. By creating a public bank, the City would be able to retain control over these funds and earn higher returns on them, which could be used to support public services and projects.




In 2017, Los Angeles severed ties with Wells Fargo as a commercial banking service provider, due to its ‘Needs To Improve’ CRA rating and non-admission-settlement of fraud charges from state and federal authorities. This move by the City Council demonstrated a commitment to holding financial institutions accountable for their actions and protecting public funds.

However, with the trend of consolidation among too-big-to-fail banks, it can be difficult for cities to find suitable banking options. A more effective solution is to follow the example of municipalities and states that have established their own public banks.

North Dakota, a traditionally conservative state, has operated the country's only public bank for nearly a century and it has been a great success. During the COVID-19 pandemic, the Bank of North Dakota provided more PPP loans to small businesses than any other state, without the high fees associated with Wall Street banks.

This allowed for capital to be deployed quickly and efficiently to support small businesses. Similarly, Germany's Sparkassen network of county-level public banks provides unique regional benefits while outperforming commercial competitors in terms of reliability, security, growth and transparency.

During the COVID-19 pandemic, the publicly-owned Bank of North Dakota provided more PPP loans to small businesses than any other state. BND's unique structure, as a public bank, enabled it to deploy capital quickly and efficiently to small businesses without the leakages and high fees that are often associated with private, Wall Street banks. This helped small businesses get back on their feet and recover from the economic impact of the pandemic.




The Bank of Los Angeles will accept and insure city deposits, ensure liquidity, and provide all necessary banking and purchasing services for the city. It will make strategic, targeted loans to both the city and responsible parties in local industries that will have a significant impact on the lives of residents. By reinvesting city money into local loans and investments, the public bank will stimulate the economy more effectively than if the funds were invested on Wall Street and subject to broker fees. Infrastructure projects, such as new bridges, schools, and power plants, will no longer be burdened by exorbitant interest paid to bondholders, which currently accounts for approximately 50% of all infrastructure spending. With a public bank, financing for public works will be significantly cheaper than private capital.

The public bank will be overseen by an independent board of governors, composed of Los Angeles residents, including civil servants and experts in public finance, banking, affordable housing, and climate change mitigation. The bank will operate with the mandate to safeguard and grow the city's assets through loans to local businesses and municipal entities. The bank's mission is to serve the city and its people, not individual shareholders or executives. The bank's employees are public servants, who are committed to improving the lives of regular Angelenos, increasing revenue and reducing costs for city government, safeguarding LA's assets during financial crises, and enabling investment in Los Angeles by Los Angeles.



**50%
SAVINGS**

A public bank can support local economic growth by channeling public funds into local loans and investments. This strategy helps finance public works and infrastructure projects in a more efficient and cost-effective way than private capital. By financing these projects through a public bank, cities like Los Angeles can save up to 50% on interest and fees. This not only lowers the price tag on major projects but also allows the city to expand access to essential services and improve infrastructure, benefiting the community as a whole.



As a response to crises like the pandemic, it is more important than ever to establish a public bank in Los Angeles. Such a bank can expand lending in areas that support local businesses, create jobs, and invest in marginalized communities. A public bank in LA would be able to multiply the impact of public funding by leveraging the bank's capital into targeted recovery loans. This would enable the city to quickly and efficiently distribute aid to individuals and provide low-interest loans to businesses, utilities, and school districts to help them recover.

As the City of Los Angeles looks for ways to provide funding for small businesses and worker relief, a public bank is an ideal solution for providing low-cost lending at a local level. This will support the resurgence of local restaurants and small businesses, particularly those owned by disadvantaged and

underrepresented people of color, that may have been forced to close and may never return. A public bank will lay the foundation for a more equitable local economy by financing projects such as local public infrastructure, renewable energy, affordable housing, and a local Green New Deal, creating good-paying and union jobs.

A Los Angeles Public Bank would invest directly in the city to aid its economic recovery and resilience in the face of future crises. Now is the time to establish a strong, transparent, and compliant institution that will reinvest in housing, transportation, clean energy, and jobs for the people of Los Angeles. This will pave the way for a more just financial institution that is accountable to the people, not Wall Street.

The Los Angeles Public Bank will significantly amplify the impact of public funding by providing targeted loans to support local economic development, particularly in underserved areas. With its capital, the bank can quickly and efficiently distribute aid to individuals and offer low-interest loans to businesses, utilities, and school districts, thereby supporting the local economy and promoting economic growth in the community.

FISCAL RESPONSIBILITY

By depositing Los Angeles public tax dollars into a publicly-owned and accountable financial institution, we can keep our money within our city, creating credit from our own revenue rather than giving that power to Wall Street to finance environmentally and socially harmful projects such as petroleum pipelines, armaments, and private prisons. These projects are chosen by the banking industry, not public representatives.

Nearly 50% of the cost of all public infrastructure projects currently

goes towards paying bank interest and fees. By funding public projects through a Los Angeles public bank, we can significantly reduce the cost of improving infrastructure and increase our ability to invest in our own communities. The fees and interest payments on public bank loans could be reinvested back into our communities, rather than being siphoned off by Wall Street banks.

The Bank of North Dakota (BND) is a state-owned and operated bank that has been successful in its operations. Its return on investment in 2021 was 15%, and it has a better credit rating than JPMorgan Chase. In some years, its return has been higher than Goldman Sachs. The BND does not engage in risky financial practices, which helped the state of North Dakota weather the economic crash of 2008. The BND also offers relief for student debt and distributed a high number of PPP loans per capita during the pandemic through partnerships with local financial institutions. Like the BND, the LA Public Bank will be regulated and prohibited from engaging in unsafe and unsound banking practices.



By using a publicly-owned financial institution, Los Angeles can keep its public tax dollars within the city, creating credit from our own revenue and aligning our values with our investments.

COMMUNITY DEVELOPMENT

The Los Angeles Public Bank will invest in the long-term prosperity of LA communities by supporting initiatives such as affordable housing, green energy infrastructure, co-ops, and other community improvements. It will partner with local financial institutions to offer loans for economic development, public works financing, and job creation, particularly for small and medium-sized businesses.

The bank can also act as a sole originator or facilitate loan participation through partnerships with community banks, credit unions, and CDFIs. These investments will help build local wealth and stimulate the local economy.

1

Fund local projects for affordable and supportive housing by extending credit lines through the public bank's loan portfolio. In partnership with local lenders, the public bank can bring down the cost of financing housing developments; unlike private banks, public banks are not bound by the need to maximize profit margins.

2

Offer low-interest or interest-free loans for students to invest in education and stimulate the economy.

3

Increase lending capabilities for small businesses and cooperative ownership structures by partnering with local credit unions, community banks, and CDFIs.

4

Finance the transition towards decarbonization and renewable energy, similar to the German Sparkassen public banking networks which have funded over 70% of investments in renewable energy infrastructure.

RESPONSIBLE USE OF FUNDS

The municipal public banking movement advocates for the establishment of banks that operate with socially and environmentally responsible mandates. These banks would have transparent and anti-corruption guidelines to ensure they operate sustainably and ethically. The lending activities of a specific example, the Los Angeles Public Bank, would be subject to strict mandates that require adherence to the bank's founding principles and fulfillment of its public policy goals.

MUNICIPAL AUTONOMY

Cities frequently pay exorbitant fees to corporate banks for their services. The City of Los Angeles incurs an annual expense of \$3.14 billion for debt servicing, which goes to Wall Street banks that often invest in distant locations and harmful ventures such as fossil fuel production. The LA municipal bank would enable city residents to reclaim public funds by keeping the money within their communities and having a say in which projects are financed. A chartered public bank prioritizes the public good within the community instead of maximizing profits for a small group of investors. Public bank revenue and profits are returned to the public, thereby increasing the bank's lending capacity and benefiting the local economy.

INVESTING IN THE FUTURE

Crises like the pandemic exacerbate the needs and revenue shortfalls faced by California's local governments. With the federal government in a state of gridlock, local governments were forced to cut critical services such as schools and public services, and spend significantly more on public health than anticipated before 2020. These service limitations disproportionately impacted communities of color and low-income communities. Public banks would not only provide California's municipal governments (such as cities, counties, water districts, transportation districts, and joint power authorities) with affordable depository services and cash management, but they would also provide revenue to supplement government spending, freeing up funds for crucial services.



1. What are the sources of funding for the establishment of a public bank?

The funding for establishing a public bank in Los Angeles would mainly come from redirecting the city's existing deposits, which are currently held in commercial banks. The city has billions tied up in low-interest accounts that also incur hefty management fees. By placing these funds in a public bank, Los Angeles could put its money to work for local projects while saving on those fees, which currently total around \$1.5 billion annually in debt service and interest payments.

Additional sources for the bank's initial funding could include budget allocations from local government, federal or state grants, investment pool earnings, and voter-approved bonds. The Inflation Reduction Act's Greenhouse Gas Reduction Fund, for example, offers \$6 billion to community lenders, including public banks, for green initiatives. Issuing municipal bonds and offering certificates of deposit could also attract institutions looking to invest responsibly.

Once the public bank receives a California State Public Bank Charter under AB 857, it would be authorized to accept deposits not only from city departments but also from neighboring municipalities. It could further grow its funds by accepting deposits from pension funds, socially responsible mutual funds, and other institutional investors, or partnering with local financial institutions. This broad range of funding options allows the public bank to tap into diverse revenue streams, ensuring robust capitalization and lending capacity from the outset.

Collaborations with foundations, universities, or other socially conscious organizations can also strengthen the bank's financial base. Many institutions seek alternatives to big banks for divestment and socially responsible investments, providing deposits or contributing securities to help reinforce the bank's capital reserves.

2. What services does the public bank offer?

To ensure a successful and trustworthy business plan, the Los Angeles Public Bank will need to focus on the complex tasks involved in running a bank. This will include providing basic services such as checking, credit card processing, and liquidity services for the city treasury. The bank will work closely with city departments and agencies to seamlessly integrate their accounts payable, receivable, merchant accounts, checking, wire, ACH, and payroll services, and will assist the Office of Finance in the collection and reporting of taxes.

As it begins to manage deposits, the bank can start making loans and purchasing interest-bearing assets. Its loan portfolio and investment decisions will be guided by its founding principles and the direction of its Board of Governors and may include infrastructure loans to the city, small business loans in partnership with community banks, and special loans for priority city initiatives such as affordable housing and clean energy upgrades.

Initially, the bank may function as a "banker's bank," providing liquidity and security for community banks seeking a strong local partner to compete with large multinational financial institutions. It could also offer clearing services and interbank liquidity. As it establishes itself as a reliable and profitable institution, the public bank could expand its offerings by partnering with community banks to provide extra security and lower the cost of banking for everyone. It could also consider offering additional services such as foreign currency exchange, international wire transfer, and more.

3. Will public banks be insured?

Public banks in California will be required to obtain Federal Deposit Insurance Corporation (FDIC) insurance and will be subject to the same regulations and protections as private banks. Deposits in public banks will be collateralized according to the same rules that apply to all banks. This ensures that public banks in California operate safely and responsibly, protecting depositors and the public's funds. The California Public Banking Act (AB 857) allows cities and counties to establish their own banks and requires compliance with these regulations as a condition of charter approval.



4. How does the bank plan to fund itself? Will it rely on tax revenue?

The public bank will fund itself much like a traditional bank, using the City's revenue as deposits. The City of Los Angeles will continue to collect revenue and hold it in accounts at the public bank. By managing services like payment processing in-house, the city can cut costs compared to using commercial banks.

After establishing its initial reserves, the public bank won't need tax dollars to cover its operating costs. Instead, it will make loans backed by these city deposits, which will be fully insured and guaranteed, keeping them secure. This model allows the public bank to be self-sustaining and operate without raising taxes or tapping into taxpayer funds.

5. Who are the target customers or groups the bank aims to serve?

The Los Angeles Public Bank will primarily serve municipal entities like school districts and public utilities. Acting as a "mini-Fed" for the region, it will support local banks and guarantee loans. Set up as a "banker's bank," the public bank will partner with community banks and credit unions to provide loans, enhancing their lending capacity and financial stability.

The bank's focus will be on lending for projects that benefit the local community. It will collaborate with local financial institutions to fund initiatives such as affordable housing, small business development, and infrastructure projects that align with the City of Los Angeles' economic goals. By keeping public funds circulating locally, the bank ensures that money stays in the community, driving growth and development rather than being funneled out to distant financial institutions.



6. How does a public bank meet the banking needs of individual customers?

Public banks in California mainly handle funds for municipal agencies, so they don't operate physical branches for individual customers like traditional retail banks. We're currently working on solutions to serve the public's banking needs. The Public Banking Option Act (AB 1177) set up the CalAccount program to offer zero-cost, zero-penalty bank accounts for all Californians, and local public banks may eventually become partners in holding these accounts.

Although public banks are generally restricted from retail banking, they can still meet certain needs by partnering with local financial institutions such as credit unions, community banks, and CDFIs. By providing capital to these partners, public banks enable them to offer affordable banking services and loans to individuals. This allows public banks to indirectly support consumer banking without competing with local financial institutions, ensuring access to low-cost financial services for more people.

7. Is there a current public bank operating in the US?

Yes, the Bank of North Dakota (BND) is the only public bank currently operating in the U.S. It's been around since 1919 and has consistently posted strong financial results, including an 18% return on investment in 2023. BND's success is built on a cautious lending and investment strategy that's helped it weather economic storms like the Great Depression and the Great Recession. The bank provides low-interest loans for small businesses, offers below-market student loans, partners with local banks for the secondary mortgage market, and invests in municipal bonds to support local governments.

During the pandemic, BND delivered the highest per capita payout of PPP loans to small businesses nationwide. Without Wall Street middlemen it was able to deploy funds quickly and efficiently, helping struggling businesses get back on their feet.

There's a growing movement to establish public banks across the country at the municipal, regional, and state levels. Cities and states like Los Angeles, San Francisco, New York, and Massachusetts are pushing to create public banks.



8. Why do we need public banks if credit unions exist?

Credit unions are a good alternative to big banks and are owned by their members, rather than private shareholders. As a result, they are focused on providing the best services to their customers, rather than maximizing profits for distant shareholders. Credit unions are accountable to their depositors and not the general public.

On the other hand, public banks are owned by governments and are accountable to elected representatives. They support credit unions and community banks by making joint participation loans, providing them with credit, purchasing their mortgages, and cooperating in other ways that make more capital available to them to offer low-cost consumer services. For example, North Dakota, which has a state-owned public bank, has more credit unions and community banks per capita than any other state.

Unlike credit unions, public banks are not restricted by rules governing credit unions, which enables them to access capital at lower rates and with fewer restrictions on their lending. Public banks can leverage the large revenue streams and reserves of states and municipalities to invest most efficiently in affordable housing, climate-resilient infrastructure, and support for small and medium-sized, locally-owned businesses. Public banks also have a mandate to serve the public good, which allows them to finance projects that align with the community's priorities, such as promoting economic and social justice.

9. What specific strategies can a public bank use to support economic redevelopment and increase access to affordable housing in LA?

Los Angeles remains in the grip of a severe housing crisis. As of 2024, nearly 500,000 households in the county lack access to affordable housing, and about 48% of renters are "severely rent-burdened," spending more than half their income on housing costs. Homelessness has been an enduring issue, with the 2023 count showing around 46,260 unhoused individuals in the city alone, despite a recent decline due to targeted



emergency initiatives. The city is also facing a significant shortfall of about 270,000 affordable housing units to meet current demand.

Statewide, the median home price in California remains over twice the national average, making it challenging for many Angelenos to afford housing. This disparity has been exacerbated by long-standing zoning practices that limit multi-family housing development and prioritize single-family homes, further driving up costs in high-demand areas.

A public bank in Los Angeles can use several targeted strategies to support economic redevelopment and expand access to affordable housing, as outlined in the Jain Family Institute and the Berggruen Institute [Municipal Bank of Los Angeles Reports](#):

- **Rapid Acquisition Fund:** Establish a revolving fund to quickly finance the purchase and preservation of land or existing rental properties for affordable housing development. This would allow developers to compete effectively in the fast-paced real estate market. With an initial investment, the fund could leverage a significant multiplier effect to finance substantial acquisition-rehabilitation projects each year.
- **Construction and Predevelopment Loans:** Offer low-interest construction loans and streamline predevelopment processes by prequalifying contractors and developers. This approach would reduce costs, accelerate project timelines, and enable more housing units to be built. By lowering the financing barriers, the bank could significantly boost the production of affordable housing.
- **Recapitalization of Existing Affordable Housing:** Provide loans to fund repairs and upgrades for existing affordable housing. This would help maintain the affordability of units at risk of losing their status due to neglect, thus preventing displacement.
- **ADU Financing and Homebuyer Assistance:** Support homeowners in building accessory dwelling units (ADUs) by offering shared appreciation loans and expanding mortgage assistance programs for low- and moderate-income buyers. These initiatives would add to the housing supply and promote long-term community stability.
- **Bonds and Fiscal Efficiency:** Over time, the bank could underwrite and issue city bonds to finance affordable housing projects, returning interest savings to the public. It could also streamline public funding across agencies, making capital deployment more effective.



10. In what ways do public banks support racial equity and economic justice?

Public banks can help build racial equity and justice in Los Angeles. One way is by increasing access to credit and financial services for communities of color and low-income communities, which have historically been underserved by Wall Street and commercial banks. Public banks can also use their lending power to support economic development in these communities by investing in affordable housing, small businesses, and infrastructure projects.

To ensure that their policies and practices are inclusive and equitable, public banks can include commitments to racial equity and serving underrepresented communities in their mission statement and charter. They can also choose bank directors based on their understanding and support for racial equity and combating systemic racism. By having a diverse board of directors that reflects the communities they serve, public banks can break the trend of homogeneity in the traditional banking industry.

Public banks can also support racial equity by using their lending capabilities to contribute to targeted and impactful affordable housing projects. They can make loan approval contingent on plans for tenant diversity and community involvement in decision-making during construction. Loans for small businesses

11. How can a public bank support the implementation of green energy infrastructure?

The Los Angeles Public Bank can be a game-changer for the city's green energy efforts by providing much-needed financing for clean energy infrastructure, such as solar and wind installations, energy storage, and electric vehicle charging stations. By aligning its investments with the city's push toward sustainability, the bank can support the shift to a low-carbon economy and help reduce greenhouse gas emissions, conserve water, and boost energy efficiency.



A public bank in Los Angeles could drive the city's green energy transition by filling funding gaps and providing financing solutions tailored to different renewable energy projects, as detailed in the Jain Family Institute and the Berggruen Institute [Municipal Bank of Los Angeles Reports](#).

Here's how:

- **Community-Scale Solar Development:** The bank can support community solar projects, making renewable energy accessible to households that can't install rooftop solar panels. Financing for these projects can help expand solar access to renters and low-income residents, with legislation like AB 2316 paving the way for utilities to launch more community solar initiatives.
- **Utility-Scale Project Financing:** Large renewable energy projects, including wind, solar, and geothermal, require substantial investment. The bank could provide debt financing to lower the costs of these projects, making them more viable and ultimately reducing energy costs for consumers. It could also bridge financing for tax credits and funds raised through municipal bonds, enabling larger-scale investments.
- **Solar Power Purchase Agreement (PPA) Loans:** The bank can lower the credit risk for solar equipment leasing under PPAs by creating a fund specifically for PPA loans, which could attract private lenders and boost the availability of financing for property owners looking to benefit from solar without the upfront costs.
- **Blended Efficiency Retrofits for Low-Income Housing:** By combining efficiency retrofits with PPAs, the bank can help reduce loan burdens for property owners, ensuring that green upgrades in low-income multifamily developments are financially viable. This approach supports both energy efficiency and affordability.
- **Transmission Infrastructure Financing:** To meet the city's renewable energy goals, the bank could finance critical transmission projects that move power from solar and wind farms to the grid, helping to address regulatory and cost barriers.

12. How will the Board of Directors be established?

The Los Angeles Public Bank can take inspiration from existing models such as the Bank of North Dakota (BND) and the Sparkassen in Germany.

a) The Bank of North Dakota. The BND has a board with three elected representatives who set policy for public service interests and an advisory board of bankers who serve in an advisory capacity.

b) Sparkassen of Germany. has a tripartite board with one-third elected by a regional parliament, one-third made up of employee representatives, and one-third made up of people from the public with proven economic expertise.

These models can serve as a starting point for determining the governance structure of the Los Angeles Public Bank. It will be up to Los Angeles' elected representatives, banking experts, and the public to determine the most effective structure, taking into consideration the needs of the city and upholding the bank's social and environmental responsibility mission.

Michael Brennan, a researcher at The Democracy Collaborative, has developed a democratic design proposal for the Public Bank LA that includes the participation of the 99 Los Angeles Neighborhood Councils in the governance structure. Each council serves about 40,000 people, providing a way for community members to have a say in the bank's operations and decision-making. Read the proposal, entitled "[Constructing the Democratic Public Bank: A Governance Proposal for the Los Angeles Public Bank](#)," for more details on the plan.



13. What is the governance structure of the public bank? How will decision-making and oversight be carried out?

The Los Angeles Public Bank will be governed by a board of qualified directors chosen for their reputation, financial knowledge, and commitment to the bank's mission and financial stability. Unlike private banks, where board members are typically the largest investors and are often paid millions of dollars for their time, the public bank will be owned by the public, so elected representatives will play a role in selecting a board of qualified individuals with reasonable compensation who will be subject to higher levels of accountability and transparency in their management decisions.

The governance of the public bank will be informed by input from various stakeholders during the creation of the business plan and will be guided by the following principles:

- The bank will be run by an independent board of governors comprising community residents and experts in public finance, banking, affordable housing, and climate change mitigation.
- It will be strictly regulated by state and federal regulators, the DFPI, and the FDIC, and will be required to safeguard and grow municipal assets.
- It will be accountable to policies requiring it to act in the best interests of the region and its people, rather than individual shareholders or executives.
- It will be guided by the principles of social and environmental responsibility.

The governance structure of the Los Angeles Public Bank will include regular public meetings, transparency and reporting requirements, and ongoing engagement with the community to ensure that the bank's actions align with the needs and priorities of its stakeholders. It will also include measures to ensure accountability and prevent conflicts of interest, such as separating the roles of management and board members and implementing effective internal controls and risk management processes.



14. Will public banks serve cannabis businesses?

There is interest in using public banks to support the cannabis industry in California, given the limited access legal cannabis businesses have to traditional financial services. However, since cannabis is still a Schedule 1 drug under federal law, public banks are unlikely to serve these businesses. Doing so would create hurdles for gaining FDIC and Federal Reserve approval.

For public banks to offer cannabis banking, federal law would need to change to protect them from prosecution. Moreover, public banks are designed to serve public interests, not private businesses, so their charters don't typically allow them to work directly with industries like cannabis.

15. Isn't it risky to have politicians manage the bank?

Concerns about politicians managing a public bank are understandable, but it's important to clarify how these banks actually operate. Public banks are run by professional bankers accountable to a board of directors, not politicians. These bankers focus on serving the public interest rather than maximizing profits for shareholders or executives. The bank's mission and mandates prioritize community needs, which reduces motivations for risky or unethical behavior.

While elected officials may be involved in establishing the bank's structure and ensuring it adheres to legal requirements, the day-to-day operations are overseen by experienced bankers and guided by rigorous state and federal banking regulations. For the first few years, regulatory oversight is even more stringent, ensuring that operations are efficient and meet industry standards.

The Bank of North Dakota (BND) provides a strong example of how a publicly owned bank can succeed without political interference. It's more profitable than major private banks like Goldman Sachs and JPMorgan Chase, thanks to its risk-averse lending practices, low costs, and partnerships with local banks. BND avoids high-risk activities like derivatives trading, doesn't pay out bonuses or dividends, and collaborates with community banks rather than competing with them.



While public banks are rare in the U.S., they are more common worldwide and have proven to be just as safe, transparent, and profitable—often even more so—than private banks. This global experience demonstrates that public sector banks can operate effectively and accountably, offering a viable alternative to private financial institutions. and collaborates with community banks rather than competing with them.

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16. Does public banking have support across political ideologies, or is it primarily supported by a specific political group?

Public banking has broad appeal across political ideologies and is supported by individuals from different political parties and backgrounds. The Bank of North Dakota is supported by both Democrats and Republicans in the conservative state of North Dakota. This is due to its track record of supporting the state's economy through low-cost loans to farmers, businesses, homeowners, and college students, as well as its contributions to the state treasury which help reduce the need for tax increases.

In California, a largely Democratic state, the passage of the California Public Banking Act (AB 857) has been seen as a solution to pressing issues such as affordable housing, small business support, and financing infrastructure improvements to address the climate crisis. Public banks are accountable to the communities they serve, unlike private banks which are accountable to shareholders, and are able to make investments that reflect the desires of the majority of residents, considering the perspectives of both conservatives and progressives. Public banks can provide services that align with the values of the community, supporting economic fairness and sustainability.



17. How do public banks work with community financial institutions to support small businesses?

Public banks in California will partner with local financial institutions like community banks, credit unions, and CDFIs to drive investment in local priorities while expanding credit access. Under the California Public Banking Act, public banks are designed to complement—not compete with—these institutions. They provide targeted support through shared lending arrangements, participation loans, and credit enhancements, boosting the capacity of local financial institutions to serve small businesses, especially in underserved areas.

For instance, public banks can collaborate with CDFIs to fund small business loans by purchasing a portion of the loans, which allows the CDFIs to lend more without overextending their resources. This injects capital directly into the local economy, giving small businesses the resources they need to grow. Public banks can also help finance affordable housing, climate-resilient infrastructure, and other essential projects in partnership with local financial institutions, ensuring that public funds stay local.

Taking inspiration from the Bank of North Dakota, public banks can act as a wholesale bank or what's called a "bankers' banks," supporting local lenders by sharing loan risks and offering funding at lower rates. This setup helps community institutions compete with larger financial players, enabling more small businesses to access affordable credit while keeping investments focused on community development rather than corporate profits.



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ADDITIONAL RESOURCES

Visit publicbankla.org or explore the resources below to learn more and support your advocacy for the LA Public Bank. Whether you're raising awareness or diving into the details, these materials will equip you with the foundation you need.

[Fact Sheet](#) and [Intro](#): An overview of the benefits of public banking in LA.

[Public Bank LA Activist Toolkit](#) - Packed with useful materials, including talking points, graphics, and tools to help you champion the People's Bank of Los Angeles.

[Technical Brief](#): Mechanics of California's public banks from the California Public Banking Alliance.

[What a Public Bank Can Do for LA and Its People](#): Part 1 of a five-part series by the Jain Family Institute and Berggruen Institute, outlining practical investment and lending programs and the ways public banking can benefit Los Angeles.

[Housing Solutions and Portfolio Options for the Municipal Bank of LA](#): Strategies for tackling LA's housing challenges, including financing affordable housing, utilizing available land for development, and preserving naturally occurring affordable housing (NOAH).

[Democratic Governance Frameworks](#): Guidance on structuring a public bank to ensure transparency and public accountability.

[Financial Justice and Clean Energy Portfolio Options](#): Strategies for using public banking to promote equitable economic growth and sustainable energy, including support for LADWP, community solar, large-scale solar projects, and energy efficiency upgrades.

[Interactive Balance Sheet Simulator](#): A useful [tool](#) to build your own customized public bank loan portfolio. Explore different financial scenarios to see how public banking can optimize resources.

ADDITIONAL RESOURCES

[Public Banking in LA Series Summaries](#): Condensed briefs of the JFI and Berggruen reports.

[Public Banking in the City of Los Angeles](#): Insights from Inclusive Action for the City, an LA-based CDFI, on how a public bank could transform local finance and support Black, Brown, and immigrant-owned small businesses.

[A Governance Proposal for the LA Public Bank](#): Recommendations from The Democracy Collaborative on structuring the bank to serve community needs, with a governance model reflecting Los Angeles' diverse constituencies and prioritizing underserved groups.

