

BUDGET & FINANCE COMMITTEE BRIEF

Why LA Needs a Public Bank

A feasibility study is the first step toward building a strategic city budget.

Los Angeles faces growing deficits, banking deregulation, and shrinking federal support. The [\\$80 million in FEMA funds](#) clawed back from New York City and the [freeze on \\$27 billion](#) in federal Greenhouse Gas Reduction Funds signal a troubling trend as cities like LA are being left to fend for themselves. At the same time, Fannie Mae and Freddie Mac, public institutions created to ensure housing stability, are inching toward privatization.

As national financial systems shift away from public good and toward private profit, Los Angeles needs local control over its capital more than ever. A public bank is a structural solution that lets the City do more with what it already has, *without raising taxes or cutting essential services*.

We're already spending big. It's time to spend smarter.

LA currently spends \$1.4 billion a year servicing debt.¹ Much of the City's public money is sitting in passive, low-yield accounts. The Reserve Portfolio alone holds over \$7.2 billion, with about 75% parked in treasury bills² with a 2.9-year maturity, earning just 2.76%, barely putting public dollars to work. A public bank could potentially yield 70–120 basis points more,³ significantly increasing returns over time.

Public banking is legal, fiscally sound, and more timely than ever.

The **California Public Banking Act** (AB 857), passed in 2019 and finalized with regulations in 2022, established a legal pathway for cities like LA to create public banks. These banks can issue and purchase municipal bonds, fund public infrastructure, and partner with local lenders, *without imposing new taxes*. The 100-year-old public Bank of North Dakota generated an 18% return on equity⁴ and continues to deliver hundreds of millions of dollars to the general fund each year.

With seven council offices—Councilmembers Eunisses Hernandez (CD1), Bob Blumenfield (CD3), Nithya Raman (CD4), Council President Marqueece Harris-Dawson (CD8), Curren Price (CD9), Hugo Soto-Martínez (CD13), and Ysabel Jurado (CD14)—contributing discretionary funds, the now \$370,000 feasibility study will evaluate how LA could move forward and whether the benefits outweigh the costs.

This is a long-term investment with the potential for immediate impact.

Public banks don't replace cities' existing financial tools; they complement them. A municipal bank could help the City better control how funds are managed, ensuring money stays local and serves public needs like affordable housing, transit, and clean energy. The bank would start small, gradually growing its lending capacity as retained earnings are reinvested.

Why this moment matters.

- Dormant capital underperforms while needs grow. Federal retreat leaves cities exposed.
- A public bank can strengthen financial resilience and support local investment.
- The study will evaluate governance structures that protect against political interference and meet regulatory standards, bringing transparency to the use of public funds.

This feasibility study does not commit the City to creating a bank; it creates a roadmap and is a small investment in a revenue-generating activity with long-term benefits. It allows the City to assess risks, benefits, capitalization, governance strategies, and explore how to leverage its balance sheet to do more with public dollars.

The City must take the next step. Fund the feasibility study. Give LA the tools to meet the moment.

¹ LA City Council. *Fiscal Year 2024-25 Adopted Budget*. https://firebasestorage.googleapis.com/v0/b/lacontroller-2b7de.appspot.com/o/Press%20Releases%2F2024-25%20Adopted%20Budget%20Final_electronic.pdf?alt=media&token=0c4a680f-252c-41c0-899e-0c3c341685f7.

² City of Los Angeles Office of Finance. *Investment Report*. 31 January, 2025, <https://finance.lacity.gov/investment-reports-city-council>.

³ Jain Family Institute & Berggruen Institute. [What a Municipal Public Bank Can Do for Los Angeles and Its People](#). May 2023. ROI range calculated based on projected returns from modeled balance sheets using JFI's [Interactive Balance Sheet Simulator](#).

⁴ Bank of North Dakota. *Annual Report 2023*. <https://bnd.nd.gov/wp-content/uploads/2023-BND-Annual-Report.pdf>.