

2022

# PUBLIC BANK LOS ANGELES

Los Angeles Public Bank Resource Booklet



Prepared by Public Bank Los Angeles

# ABOUT PUBLIC BANK LOS ANGELES

Public Bank Los Angeles (PBLA) is a volunteer initiative founded in 2017 to create a socially and environmentally responsible municipal bank for the City of Los Angeles. Public Bank LA evolved from Divest LA, a nationally recognized grassroots movement which succeeded in divesting Wells Fargo from the City of Los Angeles' commercial banking services. The movement was rooted in the DefundDAPL phenomenon and resistance from all 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 passed in modern times authorizing municipalities to set up their own public banks.

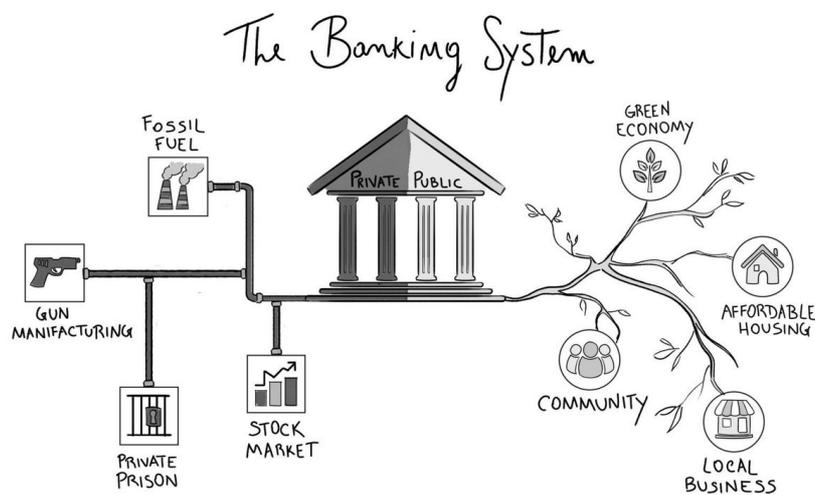
During the COVID-19 pandemic of 2020, Public Bank LA and the California Public Banking Alliance collaborated on a State Public Bank bill to expand the existing California Infrastructure and Economic Development Bank (IBank) and increase its capacity for recovery lending for small business and community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

In October 2021, 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.

Beyond banking municipalities, Public Bank LA and CPBA helped pass AB 1177, the CA Public Banking Option Act, with co-sponsor SEIU California, in the 2021 legislative session. AB 1177 (CalAccount) was signed into law by Governor Newsom in October 2021 and will begin the process of offering fee-free and penalty-free debit cards to all Californians making available basic financial services such as check cashing, deposits and bill paying. PBLA is also working with Congresswomen Alexandria Ocasio-Cortez on the re-introduction of the federal Public Banking Act, a bill that would make it easier for states and local governments to form public banks.

# WHAT IS A PUBLIC BANK

Public banks are lending and depository institutions owned by a government entity (“local agency”), like a city or county, with a non-profit public purpose governed by a public mandate responsive to local needs. Public banks leverage their deposit base and lending power to benefit residents with affordable housing, small business loans, modernization of public infrastructure and other community needs. They differ from existing financial institutions in that the purpose of public banks is to serve the needs of the communities to which they are accountable rather than seeking the greatest profits for private shareholders.



## BENEFITS OF A PUBLIC BANK

- Deposits generate loans locally with profits and interest returned to localities
- Uses banks' ability to leverage money to benefit the public instead of private shareholders
- Reflects community values and invests in community-identified priorities
- Brings democracy and transparency to banking and investment of public funds
- Creates a multi-generational source of capital that invests long term for impact purposes for residents and businesses
- Keep public money invested locally

# WHY THE COVID-19 CRISIS CALLS FOR PUBLIC BANKS

*Public banks are the financial infrastructure we're missing.*

Billions in public funds will be invested over the next five years, to bring our economy into recovery and to make significant investments in infrastructure development and climate change mitigation. Federal, state and local governments will depend on banks and other lenders to deploy large sums to public projects, green energy development, workforce programs, disaster relief, and other social impact investments.

Wall Street banks have thus far dominated the deployment of funds from these programs, earning huge profits while giving preference to big business and reinforcing inequalities present in our financial system. These mega private banks have shown to pursue profit over all other considerations - and the cost of this singular focus is obvious.

*Federal programs will distribute trillions in relief, often in the form of loans and other financial mechanisms.*

Early in the pandemic, the Federal Reserve established a “Municipal Liquidity Facility” (MLF). Los Angeles city could have tapped \$1.2 billion, the county near \$2 billion, but high penalty rates made MLF unusable, and small cities had no access. Private banks engorged themselves on cheap capital from Fed spending and distributed the bulk of PPP loans to large corporations who are their biggest customers. Small businesses, especially those owned by Black and Latino families were left out.

A public bank positions the city and county to be in the driver’s seat when such programs are opened to financial institutions, who currently have a monopoly on the basic public utilities of municipal debt and administration of public purpose investment programs.

# 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 manages more than \$8B in annual revenue collected from tax, fee and fine payers. The city maintains bank accounts with between \$4B and \$12B in cash, and manages up to \$45B in investments for pensions and other funds. That money is currently held in accounts at commercial banks, where it earns next to zero interest. The city paid over \$109 million in transactional and origination fees to these commercial banks in 2016.

Some of these banks have been downgraded by authorities for their risky or fraudulent practices. Many of the city's investments finance direct harm to the public, including over \$70M invested in tobacco companies alone. The firms who help manage these funds seek the highest possible fees for themselves, extracting the financial power of taxpayers to perpetuate bubbles in housing and capital markets, instead of economic development here at home.



**\$8B**

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In 2017, Los Angeles disqualified Wells Fargo from providing banking services to the city, due to their non-admission-settlement of fraud charges from state and federal authorities. City Council took a step forward to better discriminate between the financial institutions to which we entrust public funds, and to disqualify those banks which have shown themselves to be unworthy of the public trust.

But in an era of consolidation, where banks have grown too-big-to-fail, any discerning city will soon run out of options for where to put its money. We can and must go a step further. We should learn from the example of municipalities and states which have founded their own public banks.

North Dakota, a dyed in-the-wool red state, has operated the country's only public bank for nearly a century, and it is 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 leakages, without the huge fees of Wall Street banks, BND deployed capital quickly and efficiently to help small businesses get back on their feet.

In Germany, the Sparkassen network of county-level public banks provides unique regional benefits to their constituents, while out-performing their commercial competitors in reliability, security, growth and transparency.

**During the COVID-19 pandemic, the Bank of North Dakota provided more PPP loans to small businesses than any other state. Without the leakages and huge fees of Wall Street banks, BND deployed capital quickly and efficiently to help small businesses get back on their feet.**

The Bank of Los Angeles would accept and insure city deposits, ensure liquidity, and provide all the banking and purchasing services the city requires. It would make prudent, targeted loans to the city itself, as well as to responsible parties in sectors of the local economy where capital would make a measurable difference in the lives of Angelenos. By recirculating our own money into local loans and investments, a public bank would grow the economy faster than if that same money were invested on Wall Street and paid in fees to brokers. No longer would new bridges, schools and power plants be subject to exorbitant interest paid to bondholders, which currently makes up about 50% of all spending on infrastructure. A public bank would finance public works at a fraction of the price of private capital.

The public bank would be answerable to an independent board of governors made up of residents of Los Angeles including civil servants, and experts in public finance, banking, affordable housing and climate change mitigation. It would follow a strict mandate to safeguard and grow the city's assets through loans to local businesses and municipal entities. It would operate according to a mandate to act in the interest of the city and its people, and not for individual shareholders or executives. A bank whose employees are public servants, and whose mission is to measurably improve the lives of regular Angelenos, grow revenues and cut costs for city government, and safeguard LA's assets in the event of another financial collapse, and to enable investment in Los Angeles by Los Angeles.



50%

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As the economic crisis created by COVID-19 continues to devastate local economies across the country, now more than ever, a Los Angeles public bank is needed to expand lending in areas that support local businesses, create jobs, respond to pressing local issues, and invest in frontline communities.

A Los Angeles Public Bank would be able to multiply the impact of public funding by leveraging the bank's capital into targeted recovery loans. This would allow the city to quickly and efficiently distribute assistance to individuals and make low-interest loans to businesses, utilities, and school districts to help them get back on their feet. We must recover from this crisis through the creation of a just financial institution that invests in our communities—accountable to the people, not Wall Street.

As the City of Los Angeles explores local funding for small business and worker relief in response to the COVID-19 crisis, a public bank is the mechanism to allow for low-cost lending at a local level to support the resurgence of our restaurant and small business corridors, particularly those owned by disadvantaged and underrepresented people of color, that have been forced to close may never return. A public bank will lay the foundation for a more equitable local economy by financing projects including local public infrastructure, renewable energy, affordable housing, a local Green New Deal and more, that create good paying and union jobs.

A Los Angeles Public Bank will invest directly in Los Angeles to aid our economic recovery. Now is our moment in history to pave the way for a strong, transparent, and compliant institution that will reinvest in housing, transportation, clean energy, and jobs for the people of Los Angeles.

**The Los Angeles Public Bank could multiply the impact of public funding by leveraging the bank's capital into targeted recovery loans—allowing the city to quickly and efficiently distribute assistance to individuals and make low-interest loans to businesses, utilities, and school districts.**

# SAVE MONEY

The city of Los Angeles pays \$100M a year in banking fees and interest. This could be reinvested into our communities instead of siphoned out by Wall Street. By depositing our public tax dollars into a publicly owned and accountable financial institution, Angelenos would keep our money in *our city*, creating credit from our own revenue, instead of giving that power to Wall Street to finance wars, pipelines, private prisons, among other socially and environmentally harmful projects.

1

*By depositing our public tax dollars into a publicly owned and accountable financial institution, Angelenos would keep our money in our city, rather than disconnected out-of-state banks.*

2

*If we fund public projects ourselves through a public bank, we can halve the cost of infrastructure, doubling our power to invest in our own communities.*

Nearly 50% of the cost of all infrastructure projects go towards paying bank interest and fees – if we fund public projects ourselves through a public bank, we can halve the cost of infrastructure, doubling our power to invest in our own communities.

The Bank of North Dakota is the nation's only state-owned and operated bank. It is also the most profitable bank in the United States. With a nearly 17% return on investment, the BND is more profitable than Goldman Sachs, with a better credit rating than JPMorgan Chase. It withstood the economic crash of 2008 because, unlike large private banks, the BND does not engage in high-risk financial schemes.

Like the BND, a municipal bank for Los Angeles would be prohibited from unsafe and unsound banking practices. In 2020, it allowed North Dakota to disburse the most amount of PPP loans per capita through partnership with a vast network of local financial institutions while also refinancing the student debt of many of its residents.

# COMMUNITY DEVELOPMENT

With a public bank, we can focus on the long-term prosperity of our community through affordable and supportive housing, green energy infrastructure and conservation measures, co-ops, small businesses, etc. The city-owned Bank of Los Angeles would be a banker's bank, partnering with local credit unions and community banks, guaranteeing their loans for locally-directed economic development, public works financing, and jobs creation.

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, they won't be bound by a need to maximize profit margins.

2

Low interest loans or interest free loans for students to invest in education and stimulate the economy.

3

Support small businesses and cooperative ownership structures by increasing the lending capabilities of local credit unions, community banks, and CDFIs.

4

Finance transition towards decarbonization and renewable energy. The German Sparkassen public banking networks have funded over 70% of investment for renewable energy infrastructure.

# ETHICAL ALLOCATION OF MONEY

California's municipal public banking movement advocates for banks to be chartered with socially and environmentally responsible mandates. This includes a transparent Board of Directors and an anti-corruption ethos to ensure the bank operates under sustainable and ethical guidelines. The bank's lending activities would be subject to strict mandate to adhere to its principles and fulfillment of its public policy goals.

## LOCAL SELF-DETERMINATION

The City of Los Angeles pays \$3.14B in debt service, which is the cost to borrow money; billions of dollars of our city's interest payments are redirected into the coffers of Wall Street. A city-owned public bank enables Los Angeles to recapture public dollars and have a say over the financing of our own community. A public bank maximizes public good within the community rather than maximizing profits for a small group of investors. With municipal revenues and banking profits being returned to the public, the bank would issue loans to benefit the local economy, not private shareholders.

## SERVE THE UNBANKED AND UNDERBANKED

Three out of ten Angelenos do not have either access or adequate access to a checking or savings account and therefore cannot build credit, and are susceptible to theft, fraud, and the predatory practices of financial alternatives such as payday lenders or check cashers. A public bank would help meet the financial needs of the unbanked and underbanked population, largely composed of minority, working-class communities and immigrant households, by partnering with local community banks and credit unions and extending their credit lines, enabling local banks to offer low-cost consumer services to Angelenos.

# FAQ

## Where will the money come from for the Bank of Los Angeles?

The bank's equity, or reserve capital, would come from a city ordinance or appropriation, or from a voter initiative and bond, or from excess pools of interest earned by existing city budget items. In particular, the American Rescue Plan Act (ARPA), the COVID-19 relief package signed into law by President Biden on March 11, 2021, includes \$350 billion for state and local government aid. The amount per jurisdiction will be administered in two tranches: the first within 60 days of the passage of the bill, and the second no earlier than a year the delivery of the first. The City of Los Angeles will receive \$1.35 billion total, or \$677.2 million by May 11, 2021 and the same amount after May 11, 2022. As an unrestricted windfall to the city, we are advocating for the forthcoming business plan to include a proposal to appropriate a portion of the second tranche to capitalize the public bank. ARPA also provided \$10 billion to re-authorize the State Small Business Credit Initiative (SSBCI), which state development finance agencies can utilize to support small business recovery and could also be used to capitalize a public bank.

Funds from ARPA can be held in a to-be-formed Municipal Finance Corporation, and used for credit enhancements for small business and affordable housing loans. Once the bank is chartered the funds can be transferred to the bank as starting capital.

The bank would return money to the city, lessening the burden of taxes and increasing city budgets, and it would save the city money in interest, fees, and losses incurred by speculative Wall Street investments.

After the Bank of Los Angeles is able to accept deposits, the City could transfer a portion of its existing deposits to the public bank. The City of LA already has billions of dollars in checking and short term investment accounts at commercial banks. A public bank would house these deposits instead, putting them to work for the people of LA.

## Where will the money come from for the Bank of Los Angeles? (cont.)

To raise additional investments, the City could still sell bonds on the existing market. The public bank would actually seek to participate in the early series of municipal bonds (year 1 - 5) to shore up their portfolio with high grade collateral and to maintain liquidity. The bank could be designed to have a bond broker department that directly serves its municipality and charges drastically less for origination of bonds, to make access to credit a more mundane city function.

The Bank of Los Angeles could also provide alternative credit options to a city at far below the bond market rate (4-6%) by borrowing at the federal funds rate (~0.25%) and making preferential loans directly to city projects. This is especially advantageous on infrastructure improvements like transportation, power and trash which have revenue streams that can pay down loans at a predictable rate.

The bank would also provide fiscally and socially responsible investment options to city investment and pension funds to help them balance their riskier investments while still earning a strong return on investment.

## Details of the City's \$10.57B in investment pool (5/31/2018)

- \$3.7B in core portfolio: short-term investments with average maturity 108 days
  - 80% growth 2010-2018
  - Fund invested per CA § 53601 a-p
    - Majority invested in US T notes and bonds up to 5 year terms
    - Commercial paper and debt securities from major corporations with investment-grade ratings
- Unrestricted General Fund portion of Investment Fund: \$453.8MM as of 6/30/2017
- Total general fund portion ~\$4B

## What services would the public bank cover?

Any sound business plan will require focus and detail on the complicated enterprise of running a bank. This means a feasible and trustworthy bank will be sure to 'get it right the first time.' This means starting with what's most important, prove competence and capacity for more, and then add services as the demand dictates and bank capacity allows. This process of adding services provided by the bank should be thought of as happening over a medium- and long-term time horizon (3-20 years).

The most basic function the bank can provide is checking, credit card processing, and repo (liquidity) services for the city treasury. The public bank would work closely with city departments and agencies to smoothly integrate their accounts payable, receivable, merchant accounts, checking, wire, ACH and payroll services. It would work with the Office of Finance to facilitate the collection of taxes and the accounting and reporting of the same.

Once the bank is managing deposits, it can begin to make loans and purchase interest-bearing assets. The bank would construct a portfolio of loans and investments according to its investing priorities and guidelines determined at its founding, and according to the direction of the Board of Governors. Loans made by the bank could be infrastructure loans made to the city, or small business loans made in partnership with community banks. Special loans could be made for important city priorities, such as for affordable housing or clean energy upgrades to city property.

The bank would likely serve as a 'banker's bank' at first, providing liquidity and security for community banks looking for a powerful local partner to help face down large multinational financial institutions. It could provide clearing services and interbank liquidity.

After the bank has proven it can hold city deposits and earn a return on its loan portfolio while focusing on regional and socially beneficially investments, it can expand its offerings. By partnering with community banks, the public bank could expand access to banking services by providing extra security for partner banks, lowering the cost of banking

## **What services would the public bank cover? (cont.)**

for everyone. The public bank could serve business in the cannabis industry which are shut out of commercial banking. It could provide cash banking services to immigrants through utility bills and other novel and low cost means.

## **Will the bank be taking tax money?**

The City would collect and store revenue in bank accounts as deposits, the city would continue to perform all its regular activities. Merchant services would be brought in-house. The City can manage it at a much lower cost than commercial banks.

Except to build up its reserve at the very beginning, a public bank would not use tax dollars to fund its activities. Loans would be made by the bank and backed up by city deposits, which would be properly insured or guaranteed, and would not be at risk.

## **Who would be a typical customer?**

The public bank would start as a "banker's bank." The City of Los Angeles would be the primary customer, lending to areas of greatest public demand, such as affordable housing, green infrastructure, etc. The bank would work in partnership with local community banks, credit unions, and CDFIs.

The bank itself would initiate its own programs to follow the economic development plans of the city. The German model does the same thing, they adhere to the cities' goals in their lending programs even though they're independent. For example: housing lending (especially affordable housing), enterprise lending (small and medium size businesses), and infrastructure. We'd recycle the money back into city accounts.

## **Will this bank work with local banks and credit unions?**

Yes. We want to duplicate the commercial lending model of BND, where all commercial lending is made through a network of community banks. This is a major check on the system. BND simply provides extra credit, acts as the dealmaker, and services the loan. The customer remains that of the community bank or credit union. A municipal public bank would keep money circulating within the community through community banks and credit unions.

The profitability, incorruptibility, ethicality and financial soundness are all very serious considerations in the development of the bank. There will be measures taken to ensure these concerns are met, by establishing the means to ensure the bank is fully transparent, that all bankers are public servants accountable to the people, that the bank has a board of directors that reflects community needs as well as financial expertise and intelligent financial management.

## **What will be the geographical scope of the city bank?**

The Bank of Los Angeles could serve, if it desired, a broader geographic area, which allows for the inclusion of regional partners. AB857 allows for individual public banks to have Participating Members, which can invest in and/or make deposits in a public bank. Participating Members could be, for instance, the County of Los Angeles or any of the other 87 cities in the County.

As other local public banks open, the Bank of Los Angeles could be part of this expanding network of public banks. This would allow for individual public banks to serve their constituencies while not overstepping boundaries. A network of public banks could also pool risk, insurance, and information technology. Sparkasse, a network of 400 regional public banks in Germany, is a realistic example of how a network of public banks can operate.

# How will the public bank be governed?

The governance of the Bank of Los Angeles will be informed by input during the creation of the business plan. It will be up to Los Angeles' elected representatives, banking experts, and the People to provide their input on what structure will be most conducive to financial soundness while being sensitive to the local needs of the city and guaranteeing the upholding of the social and environmental responsibility mission. At this time, the following details can serve as a guide:

- Transparency and Accountability
  - Public banks under AB857 are exempt from taxes and, like public agencies, will be subject to the Brown Act and the Public Records Act. Public bank oversight will be conducted at four levels:
    - the independent board of directors of the Bank;
    - the local agency owners of the bank (cities, counties);
    - the Department of Financial Protection and Innovation, and
    - the Federal Deposit Insurance Corporation thereby ensuring their transparency, good governance, and commitment to the public interest.
  - Members could additionally establish Commissions to oversee the bank.
- Board of Directors and Executive Director
  - If the sole Participating Member of the Bank is the City of Los Angeles, its City Council would control 100% of voting membership and could provide direct oversight and appointment power over the Board of Directors.
  - If the Bank is jointly formed by the County and the City, and/or in collaboration with other cities, or if it accepts Participating Members following its establishment, then membership agreements would govern the % of voting membership in the Bank exercised by each constituent City or County.
  - The Board of Directors would establish rules for its own composition, subject to its founding mandate, which should provide for geographic and demographic representation, and enable stakeholder participation in the selection of new Directors.
  - The Executive Director would be empowered to execute on the mission of the Bank, at the pleasure of the Board of Directors.

## How will the public bank be governed? (cont.)

- Jurisdiction and Liability
  - The Bank is a separate Mutual Benefit Corporation with its own assets, liabilities, and legal members, and will have jurisdiction that is contiguous with its Participating Members.
  - Municipal and county treasurers will play a role in overseeing public banks in their jurisdictions, and will assess their impact on city credit and finances.
    - The BLA would comply with the current, stringent legal requirements for the collateralization and liquidity of deposits for public funds and investment holdings of public entities.
    - Treasurers / Oversight Commissions of Participating Members will jointly produce an annual report documenting a third-party fiscal, social equity and environmental audit of the Bank and its activities.

The composition of the board of directors can draw on existing workable models as inspiration, such as the following:

- UC Board of Regents: Allow for appointments and ex-officio structure modeled after the UC Board of Regents with the additional inclusion of state and county treasurers, finance/banking professionals and representatives of communities of focus (labor, housing, environmental justice, frontline communities, technology).
- The Bank of North Dakota: The board for Bank of North Dakota has three elected representatives, the governor attorney general and Secretary of Agriculture. They set policy for public service interests. There is an advisory board of 10 to 12 bankers who serve in an advisory capacity. BND also has a chartered mission to serve the people.
- Sparkassen of Germany: The board relies one three of their own separate elections.
  - One third is elected through the regional parliament.
  - One third is made up of employees who elect representatives.
  - One third is made up of people of the public who can run for a 4-year term and are approved by banking supervisory authority.

## How will a public bank help with economic redevelopment including affordable housing?

Los Angeles currently faces a housing crisis with more than 400,000 households living in substandard housing conditions. Many Angelenos are forced to pay over 50 percent of their paycheck towards rent and utilities. L.A. has the highest national homelessness with over 60,000 people living on the streets at any given time. Statewide in California, the median home price is more than 2.5 times higher than the median national home.

As Karl Beitel writes in his briefing paper for ACT-LA, "Establishing the Municipal Bank of Los Angeles: Conceptual Framework Los Angeles Public Bank," "The primary advantage offered by a Municipal Bank is the creation of a dedicated, multi-purpose entity that combines a multitude of capacities required to identify, underwrite, and originate low-cost, high-impact credit, enabling the City to pursue more socially beneficial and economically just forms of economic development. With a Municipal Bank, the public sector could offer an alternative to the current regime of forced reliance on private investors and the private, for-profit housing market to try to capture limited affordability set-asides, and the all-to-often marginal community benefit agreements leveraged from City-supported private development initiatives. Moreover, a Municipal Bank can help ensure that future housing development linked to publicly funded transit investments does not result in rampant and widespread displacement of residents of predominantly African American, Asian, and Latino working-class neighborhoods."

Beitel further adds, the Los Angeles public bank "will make loans to support affordable housing development, in the form of both construction loans and long-term bond and mortgage loans for multi-unit housing developments. A Municipal Bank could, over time, be expanded to become a significant supplier of long-term affordable housing credit. A Municipal Bank could fund a property acquisition program that would acquire existing rental properties and place them into permanently affordable cooperative housing arrangements and land trusts."

## **How will a public bank help with green energy infrastructure and development?**

A city-owned bank could address the environmental crisis and reduce the impacts of climate change by financing clean energy infrastructure, increasing renewable-energy lending, and incorporating sustainability investment goals into the City's redevelopment plan. Sparkasse, a network of 400 regional public banks in Germany, has been instrumental in Germany's green energy transformation. According to Wolfram Morales, Chief Economist of Sparkasse, 73 percent of investment in renewable energy came from the German public bank sector. Renewable energy accounts for 41 percent of energy production and consumption in Germany. The Sparkasse banks are able to offer interest rates as low as one percent on loans, considerably lower than commercial bank rates.

Costa Rico's worker-owned Banco Popular, is another example of publicly-controlled banks funding environmentally friendly projects. The bank has financed sustainable water supply systems, residential solar energy panels, hydroelectric energy generation, and energy-efficiency retrofitting. In addition to promoting energy democracy, Banco Popular is also socially driven, working with co-ops and public institutions, as well as the unbanked and underbanked populations.

## **How will the bank be insured?**

All deposits in the Bank of Los Angeles will have FDIC insurance. They will be collateralized like all public deposits. We will make no adjustment to collateral or capital requirements for the public bank.

## **Will a public bank be in use before cannabis becomes federally legal?**

As long as cannabis is a Schedule 1 drug, the Bank of Los Angeles would not be able to lend to these businesses as it would conflict with access to the FDIC and Federal Reserve System.

## **Why do we need a public bank if unions already have credit unions?**

Credit unions missions are devoted to their members. A public bank would be established to profit and benefit the entire city of Los Angeles. It would work hand-in-hand with credit unions toward that goal. Public banks would add to the diversity of options and allow public funds to more fully support the activities of unions.

Credit unions cannot access the Federal Reserve in the same way as chartered banks. Public funds held by Wall Street banks are in direct contradiction to the spirit, mission, and legal framework of unions and the people they support.

## **Are there any other precedents of public banking in the U.S. right now?**

In 2019, Public Bank Los Angeles, a founding member of the California Public Banking Alliance, passed the landmark Assembly Bill 857, paving the way for California cities, counties and regions to form their own public bank. Governor Gavin Newsom signed the bill into law on October 2, 2019, legalizing public banking in California for the first time in history.

The Bank of North Dakota (BND) was founded nearly a century ago, before the Federal Reserve Act and the FDIC. Until AB 857, cities and regulators lacked specific guidance on how to form or govern public banks, so states and localities which have explored the issue over the years have been faced with more questions than they could answer alone. Now that AB 857 addresses the state law and regulatory issues, such as those raised by the Los Angeles CLA report and others like it in other California cities, we expect to see many more serious inquiries and potential applications for banks of this kind.

BND is more profitable than Goldman Sachs with a higher credit score than JPMorgan Chase. BND has returned record profits for the last 12

## Are there any other precedents of public banking in the U.S. right now? (cont.)

years with a nearly 17% return of investment. It withstood the economic crash of 2008 because it does not engage in risky or unsound investments and lending practices. BND makes low interest loans to students, existing small businesses and start-ups. It partners with private banks to provide a secondary market for mortgages and supports local governments by buying municipal bonds.

Not only was the nation's only public bank survive the Great Recession, during the COVID-19 pandemic, BND provided more PPP loans to small businesses than any other state.

Since the passage of AB 857, multiple municipalities and regions in California have begun the process for their public bank's business plan. Advocates in New Mexico are currently working with legislators to create a New Mexico State Bank. The cities of Seattle, Denver, Chicago, and the state of Illinois, Maryland Massachusetts, and Mississippi have active public banking campaigns.

The State of Washington completed its public bank business plan through efforts led by long-standing public bank advocate WA State Senator Bob Hasegawa. Governor Phil Murphy of New Jersey also signed an Executive Order to form a public banking task force to create an implementation plan for a public bank. New York State Senator James Sanders Jr. introduced a bill to create a state bank.

In January 2021, Philadelphia Council member Derek Green and 12 city councilmembers introduced a resolution to create the Philadelphia Public Banking Authority.

In January 2021, six San Francisco supervisors spoke at a press conference about their support for a public bank. The legislation would set up a task force that would have a year to craft a business and structural plan.

## Are there any other precedents of public banking in the U.S. right now? (cont.)

In January 2021, six of nine San Diego council members, asked Mayor Todd Gloria to hire an economist to write a proposed business plan for a public bank. The San Diego Union-Tribune writes, "A supermajority of City Council members recently asked Mayor Todd Gloria to hire an economist to write a proposed business plan for a public bank to assess the feasibility of the proposal and evaluate any risks."

In May 2021, Monterey County Board of Supervisors approved the exploration of "joining other Central Coast counties to develop a public banking system that would provide benefits for economic development, infrastructure needs and affordable housing," as reported by the Monterey Herald.

"The Board of Supervisors gave the nod to exploring how interested Monterey County would be in joining Santa Cruz, San Benito, San Luis Obispo and Santa Barbara counties in a regional public banking system called the Central Coast Public Bank."