

Introduction to Public Bank Fresno

Strategic and Community Benefits of Establishing a Public Bank in the City of Fresno

The City of Fresno stands at a pivotal moment, where establishing a public bank can maximize the impact of our tax dollars, ensuring that community wealth stays within Fresno. Public banks are powerful financial tools prioritizing local needs over shareholder profits, focusing on sustainable and equitable economic growth. By creating a public bank, we can fund regional economic development, support Fresno's small businesses, and uplift our communities. This brief outlines the critical benefits of a public bank, emphasizing its potential to drive economic development, community investment, and financial justice. Let's do the most with Fresno's tax dollars and leverage our public funds to build a legacy of local prosperity and empowerment.

What Are Public Banks?

Public banks are government-owned financial institutions designed to serve the specific needs of their local communities. Unlike private banks, which prioritize returns for shareholders, public banks leverage their resources to address locally-determined priorities such as affordable housing, small business loans, and infrastructure projects. Public banks return profits to the community not to distant shareholders. Following the successful model of the Bank of North Dakota, California's public banks will collaborate with community banks, credit unions, and Community Development Financial Institutions (CDFIs) on lending, including business and agricultural loans, to strengthen local financial ecosystems and the broader economy.

Establishing a Public Bank in the City of Fresno

Under [California's Public Banking Act](#) (AB 857), the creation of a public bank involves several steps, including:

Viability study. Fresno City Council, the local governing body, will conduct a detailed study to assess the bank's potential, involving public input. The study, which they must also approve, will form the basis for a business plan detailing the various aspects of a public bank, including its lines of business, investment and lending priorities, mission and mandates, governance structure, and capitalization strategies.

Regulatory approval. Submit an application to the California Department of Financial Protection and Innovation (DFPI) and the Federal Deposit Insurance Corporation (FDIC).

Funding and Governance

Funding sources. Public banks can secure funds for capitalizing a new bank and lending to the

community through repurposing existing public funds, federal and state funding, and issuing bonds and certificates of deposit. Partnerships with foundations and private universities can also provide deposits or securities to increase the bank's lending capacity.

Separate entity. A public bank operates as a non-profit entity, independent of control by elected officials, enabling it to be managed with financial prudence. Because it is a separate enterprise, the public bank does not put the financial health of the city at risk.

Independent oversight. The bank is run by an independent board of directors, including experienced bankers, finance experts, and community members who oversee day-to-day operations. This governance structure ensures professional management and adherence to best practices in banking and finance, including fiduciary duty responsibilities to safeguard public funds.

State and federal regulatory oversight. State and federal regulatory oversight, including oversight from the DFPI at the state level and the FDIC at the federal level, safeguards depositor interests. This is the same level of oversight that private banks are subject to.

Tax-Exempt Status

Tax-exempt. Public banks benefit from a tax-exempt status, reducing operational costs and allowing more resources to be directed toward community projects and lending initiatives.

Benefits of a Public Bank for the City of Fresno

Low-cost lending and cost savings:

- **Lower interest rates.** A public bank can provide below-market interest rates and low-cost loans for small businesses, affordable housing, and infrastructure projects without resorting to expensive bonds or commercial loans.
- **In-house financing.** Nearly 50% of all infrastructure costs typically go toward paying bank interest and fees. By reducing the need for costly bonds and commercial bank loans, public banks streamline financing for public projects, keeping interest payments for debt servicing within the community.
- **Local reinvestment benefits.** Loan repayments remain within the local economy, supporting community growth and freeing up local government funds for other priorities.

Streamlining community investments and support for small businesses:

- **Centralized public financing.** Operating as wholesale banks with low overhead, public banks can centralize public financing, merging multiple funding sources to expedite lending for various community projects.
- **Local financial collaboration.** California public banks must partner with local financial institutions, including community banks, credit unions, and CDFIs. This will support

Fresno's local financial institutions, expand their lending capacity, provide lower interest rates and more accessible credit for Fresno's small businesses, and meet municipal finance needs.

Self-sustaining financial model:

- **Financial sustainability.** Revenue streams from interest and fees on loans will cover operational costs, allowing public banks to offer low interest rates.
- **Financial contribution.** Once self-sustaining, public banks can return profits to the local government's general fund, as evidenced by the Bank of North Dakota's (BND) significant contributions to its state's general fund since 1945. Over the last 21 years, the BND has returned over \$400 million to North Dakota's general fund.
- **Local economic resilience.** By keeping financial resources within Fresno, a public bank creates a more self-reliant and resilient local economy.

Racial and economic justice:

- **Credit access expansion.** Public banks can help meet the needs of unbanked and underbanked residents by partnering with local Fresno financial institutions to provide accessible retail services.
- **Equitable investment.** By prioritizing lending to historically marginalized communities, public banks help address "banking deserts" and combat predatory lending practices, advancing racial and economic equity.

Support for the agricultural sector:

- **Agricultural loans.** Given Fresno's rural and agricultural base, a public bank could partner with existing Farm Credit lenders to extend their reach and effectiveness.
- **Disaster preparedness and recovery.** Public banks can offer specialized loans and financial products to help the agricultural sector recover from natural disasters, helping to provide for quick recovery and continuity of operations.

Financial stability and independence:

- **Reduced dependence on commercial banks.** A public bank can reduce the city's reliance on large commercial banks. This can also mitigate interest rate risks associated with financial market volatility.
- **Diversification of revenue streams.** By generating revenue through interest and fees on loans, public banks can provide a stable source of income for the local government, reducing dependence on volatile revenue sources such as sales and property taxes.

Status of California's Public Banking Initiatives (as of July 2024)

Central Coast: People for Public Banking Central Coast is advocating for a regional public bank covering Santa Cruz, Santa Barbara, Monterey, and San Luis Obispo counties. Ten jurisdictions have approved resolutions for a viability study, with support expressed from two additional jurisdictions.

East Bay: Public Bank East Bay, proposed for Oakland, Berkeley, Richmond, and Alameda County, has finalized its board candidates and completed a draft business plan. Negotiations are ongoing with cities and the county for capitalization commitments, and partnerships with local financial institutions and foundations are being established to secure deposit commitments.

Los Angeles: Public Bank LA, supported by labor groups and think tanks, aims to fund affordable housing, green energy, and small businesses. The LA City Council approved \$460,000 funding for Phase 1 of the feasibility study and business plan in May 2024, and the City Council is set to oversee an RFP process to evaluate the bank's feasibility.

Sacramento: Public Bank Sacramento, led by the Climate Coalition of Sacramento and SacACT, received budget approval for \$250,000 for an RFQ in March 2023 to fund the development of a public bank. An RFQ is expected to be released by the city by Q3 2024.

San Francisco: The San Francisco Public Bank Coalition, including community and housing organizations, initiated plans for a green bank to transition into a public bank. The Board of Supervisors approved these plans in June 2023, and efforts are underway to formally establish a municipal green bank and secure federal funding for capitalization.

Resources:

[Technical Brief](#)

[CA Public Banking Alliance Resource Booklet](#)

[Policy Brief](#)