California Public Banking Alliance · Position Brief

Renewing Public Finance for California's Clean Energy Goals

How a state public bank lowers the cost of decarbonization — **without raising rates.**

CALIFORNIA PUBLIC BANKING ALLIANCE

Frequently Asked

Six questions, plainly answered.

Q1 What is a public bank?

A bank owned by the public, a city or the state, not shareholders. Today their cash reserves sit in Treasuries and corporate paper, much of it leaving California. A public bank holds those deposits and, through fractional-reserve lending, puts them to work in local infrastructure and communities at non-profit rates.

Q2 How is it different from a green bond?

A green bond makes a city borrow from private investors, paying interest for decades on a single project. A public bank instead lends out the city's own deposits and recycles that capital: lend, repay, lend again. Cities stop paying to borrow money they already have, and become depositors earning interest.

Q3 How is it different from a green bank?

Green banks aren't banks in the full sense. They don't take deposits; they redirect money, mostly to de-risk private clean-energy deals. A public bank holds public deposits and lends them through CDFIs and credit unions to affordable housing, community solar, efficiency upgrades, public infrastructure, and small business.

Q4 What problem does public banking solve?

California pays Wall Street to finance its own public projects. Each year, **$1.2 billion** leaves Los Angeles in Wall Street and Private Equity fees.[1] A public bank could fund renewable energy, affordable housing, and small business, projects that deliver long-term value but struggle to attract private capital chasing fast returns.

Q5 How does this affect utilities like LADWP?

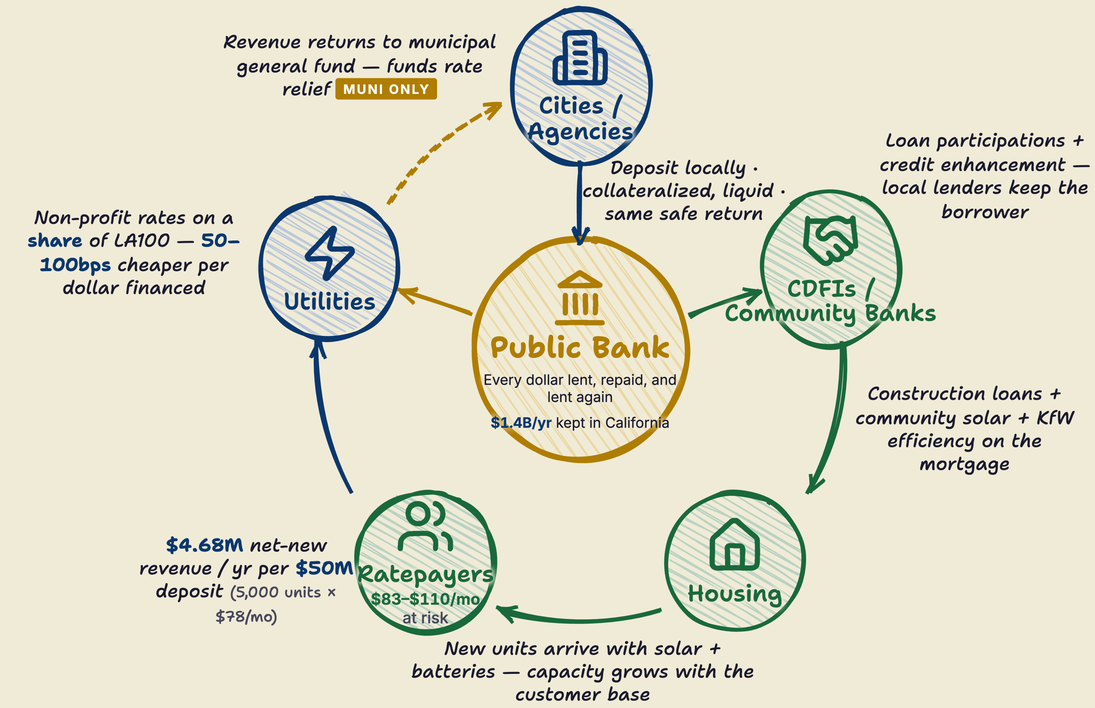
Reaching 100% clean energy by 2035 will cost LADWP **$57–87 billion**[2], and NREL's LA100 study shows it driving steep rate increases. Low-income households are hit hardest: they lack the rooftop solar and efficiency upgrades that shield wealthier homes. A public bank closes that gap with below-market financing through CDFIs and credit unions.

Q6 Where does current legislation stand?

AB 857 (2019) lets the state's DFPI charter up to ten local public banks, all before 2029 under a 7-year pilot. San Francisco and the East Bay have finished feasibility studies and business plans and are moving to establish theirs. Los Angeles funded its study in 2023 but has yet to release it to consultants.

How the Capital Cycles

A closed loop — deposits in, lending out, revenue back.



For the city treasurer

Same mandate. More jobs per dollar.

A public deposit meets a treasurer's priorities in order: **security**, then **liquidity**, then **yield**. It clears the first two as well as the 7-yr reserve tranche, with yield a wash. The edge: one dollar does three jobs a T-bill can't.

Job 1 is yours, treasurer. Jobs 2–3 accrue to your city.

Job 1

Same safe, liquid return. Collateralized, shorter-dated (**3–5 yr** vs the **7-yr** reserve tranche). Yield a wash. *The only job on the treasurer's own ledger.*

Job 2

Lowers the city's cost of decarbonization capital. Non-profit rates: **50–100bps**[3] cheaper per dollar financed on a share of the LA100 buildout.

Job 3

Recirculates as new housing + community lending. Net-new municipal revenue; dollars kept in California instead of paying Wall Street fees.

Beyond the loop

Distributed solar + storage built with new housing improves grid reliability, and positions California to capture more value from clean-energy exports as Western markets integrate.

[1] Public Bank Los Angeles, FY 2023/24 calculation — City of LA debt-service fees (less principal), bond interest, and pension investment-management fees for LACERS, Fire & Police Pensions, the Water & Power Employees' Retirement Plan, and LAWA.

[2] National Renewable Energy Laboratory, *LA100: The Los Angeles 100% Renewable Energy Study — Executive Summary*, 2021.

[3] Jain Family Institute & Berggruen Institute, *Municipal Bank of LA: Clean Energy Portfolio Options* (May 2023). The model assigns a 4.2% market-rate cost of debt against a 3.5% public-bank lending rate (AA- discount) — about 70 bps per dollar financed; the poster's 50–100 bps spans the plausible range.

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