

AFD 238 Public Banking Links and Notes

- More about North Dakota's bank:
<https://www.motherjones.com/politics/2009/03/how-nations-only-state-owned-bank-became-envy-wall-street/>
 - “we have specifically designed programs to spur certain elements of the economy. Whether it’s agriculture or economic development programs that are deemed necessary in the state or energy, which now seems to be a huge play in the state. And education—we do a lot of student loan financing. So that’s our model. We have a specific mission that was given to us when we were created 90 years ago and it guides us throughout our history... We made the first federally-insured student loan in the country back in 1967.”
 - The Bank of North Dakota has earned profits for [14 straight years](#), during the Great Recession and North Dakota’s more recent downturn from a collapse in oil prices, according to its 2017 annual report. Moreover, it supports the most vibrant community bank network in the country, with [more branches and higher lending totals](#) per capita than any other state. [No North Dakota bank failed](#) during the financial crisis. (HuffPo)
- <https://newrepublic.com/article/150594/public-banks-suddenly-popular>
North Dakota was the only state in the country not facing a revenue shortfall in 2009. In fact, the state possessed a surplus, thanks in part to the bank: The Associated Press [reported](#) that the bank had “funneled almost \$300 million in profits to North Dakota’s treasury” since 2000. It seems fair to say that the public bank did help somewhat—not just through its contributions to the state’s general funds, but through its partnerships with private community banks and its willingness to invest in community development projects.
- LA County upcoming referendum
 - <https://newrepublic.com/article/150594/public-banks-suddenly-popular>
 - https://www.huffingtonpost.com/entry/public-bank-los-angeles_us_5b6bef33e4b0ae32af954495
- <https://www.fastcompany.com/40512552/the-growing-movement-to-create-city-run-public-banks>
In California, marijuana legalization is providing another push for public banks. Other banks won’t give dispensaries accounts because of discrepancies with federal law. “The whole situation is ridiculous,” says Susan Harmon, an advocate with [Friends of the Public Bank of Oakland](#). “It’s absurd. The cannabis industry in Oakland pays taxes to the city in cash. They deliver huge bags of cash in armored cars to the city.” Harmon says that it takes city staff five hours to count taxes from Harborside, one large dispensary. The problem of weed money will only grow, since recreational marijuana is now legal in California, as of 2018, along with medical marijuana. In 2017, the state treasurer said

that the state should begin considering public banks as one option to deal with the hundreds of millions in cash that will be due in taxes.

In L.A., organizers say that while they support the idea of using public banks for cannabis money, the idea can move forward with or without cannabis. A task force looked at the legal requirements for a public bank, potential regulatory barriers, and financial benefits and risks, and found the idea feasible on the surface; a next step will be a more detailed examination.

If it works, the city would also have to create a governance model to make the bank responsible. A charter might outline, for example, that profits will be reinvested for the public benefit, and list sectors that would be restricted from investment, such as fossil fuels and private prisons, along with sectors that would be prioritized in line with the city's goals, such as affordable housing and community land trusts. Bank policy could also limit executive pay and require governance from a board with expertise in issues like sustainable development.

- Other examples of upcoming campaigns

- Arizona - <https://arizonapublicbanking.org/>
- D.C. - <https://www.dcpublicbanking.org/>
- Washington State/Seattle - <http://www.wapublicbankproject.org/>;
<http://www.seattlepublicbanking.org/>
- Oregon/Portland - <https://nextcity.org/daily/entry/portland-public-banking>

After debating divestment from companies whose practices might be harmful to people or the environment, the City Council voted in April to [stop investing city money in all corporations](#). Portland is also one of numerous [U.S. cities that decided to stop banking with Wells Fargo](#), after the bank's fraudulent accounts scandal made headlines.

The [Portland Public Banking Alliance](#), which advocates for a more equitable economy, has been pushing for a public bank for about two years. "Public banking is really taking off and there are efforts, particularly in California and in a number of places," says the Alliance's David E. Delk.

Philadelphia talked about [establishing a public bank](#) this year. In 2016, Santa Fe, New Mexico, completed a [feasibility study](#) for a public bank. [Los Angeles](#), [San Francisco](#) and Oakland have been pursuing the possibility. In October, Seattle City Council Member Kshama Sawant wanted to [allocate \\$200,000](#) — [half](#) of that was approved — of the city's budget for a public bank feasibility study.

[Washington, D.C.'s](#) 2018 fiscal year budget includes \$200,000 for a feasibility study for a city-owned bank. The governor-elect of New Jersey [expressed interest](#) in establishing a state public bank during his campaign.

- Pennsylvania - <http://publicbankingpa.org/>
- New Mexico/Santa Fe - <http://bankingonnewmexico.org/>
- Colorado - <http://bankingoncolorado.org/colorado-initiative/>
- New Jersey
<https://www.politico.com/states/new-jersey/story/2017/04/murphys-bank-proposal-garners-skepticism-and-intrigue-111131>

Murphy's plan, still in its formative stages, would establish a "people's bank" to perform some of those same functions. The idea is that a state-run bank could house some of New Jersey's tax revenue, currently spread across a number of local and international banks, and leverage it in ways that directly benefit the state — like loans for small-scale infrastructure projects or small businesses — and then return any profit back to the state's budget.

WHEN NEW JERSEY COLLECTS TAXES or fees, it currently deposits those funds in private banks — spreading the state's money across American and international institutions. Those banks, in turn, charge fees and pay interest to the state, and they use the capital from New Jersey's deposits to provide loans or finance projects.

"They're not being obligated to come back and do anything in New Jersey, and they don't," Murphy told a town hall in Elizabeth in February.

"One international bank took a lot of our deposits and did invest in infrastructure — in Japan," he told the crowd, referring to the roughly \$145 million the state deposited with the Bank of Tokyo-Mitsubishi in fiscal year 2015.

Murphy's idea is to bring some of those deposits home, and use the money to finance three lines of business: student loans, small business loans, and small-scale infrastructure projects for cities and towns.

- https://www.demos.org/sites/default/files/publications/Demos_NationalBankPaper.pdf

- Capitalized with deposits of general revenue normally held in Wall St banks
- "Partnership Banks are participation lenders, meaning they partner—never compete—with local banks to drive lending through local banks to small businesses."

- From the MJ article above – "The interesting thing about the bank is we understand that we walk a fine line between competing and partnering with the private sector. We were designed and set up to partner with them and not compete with them. So **most of the lending that we do is participatory in nature. It's originated by a local bank and we come in and participate in the loan and use some of our programs to share risk, buy down the interest rate. We even provide guarantees similar to SBA to encourage certain activity for entrepreneurial startups.** Aside from that, we also act as a bankers' bank or a wholesale bank. So we provide services to banks, whether it's check clearing, liquidity, or bond accounting safekeeping. There's probably 20 other bankers' banks across the country. So we act in that capacity as kind of

a little mini-fed actually. And so we service 104 banks and provide liquidity to them and clear their checks and also we buy loans from them when they have a need to overline, whether it's beyond their legal lending limit or they just want to share risk, we'll do that. We're a secondary market for residential loans, so we have a portfolio of \$500 to \$600 million of residential loans that we buy."

- <https://www.thenation.com/article/what-if-people-owned-the-banks-instead-of-wall-street/>

- <https://www.thenation.com/article/public-bank-help/>

- Right now, billions of the City of New York's dollars are being held in commercial banks. That's a problem, because it's those same banks that make decisions about whom to lend to, and at what rates—not just on Wall Street but in everyday Main Street businesses and neighborhoods as well. Those banks are also the same big financial institutions that were deemed “too big to fail” during the last financial collapse, and were only kept afloat during the Great Recession with a huge bail-out, ultimately funded by public money.

- A public bank for the city, on the other hand, would be a publicly operated financial institution that would hold funds belonging to the city and disburse them across public projects and community-based organizations

based on citizens' actual needs. Its lending decisions would be undertaken through a transparent, City-run authority, accountable to taxpayers. By managing all city taxes, fees, and local revenues (which are currently spread around various accounts with corporate banks), the public bank would aim to provide an alternative, socially oriented financial resource for the city's economy.