Cooperative Public Banking Under the New York Public Banking Act

The New York Public Banking Act [S1762A (Sanders) / A8290 (Fahy)] creates an appropriate regulatory framework for cities and counties seeking to establish public banks – mission-driven financial institutions created by local governments and chartered to serve the public interest. The bill has generated broad statewide support, as more and more communities recognize the power of public banking to promote racial justice and equitable economic development. Recently, dozens of local elected officials from 19 jurisdictions delivered a letter to Governor Kathy Hochul and legislative leaders in Albany urging them to enact the bill into law this legislative session.

In addition to creating a pathway for individual cities and counties to pursue public banking, the bill would allow multiple local governments with an aggregate population of 100,000 or more to collaboratively govern and operate public banks. Participating municipal and county governments would jointly develop a business plan and submit a charter application – including initial start-up capital commitments, governance structure and proposed bylaws – to the NYS Department of Financial Services for approval.

Many small- and medium-sized governments in New York could benefit greatly from cooperative public banking. Albany should enact the New York Public Banking Act this session to spur truly inclusive local development statewide. For more information, please contact Will Spisak at New Economy Project (will@neweconomynyc.org).

CASE STUDY: EAST BAY PUBLIC BANK

In 2019, California enacted legislation creating a framework for local governments to create public banks. Recently, the Friends of East Bay Public Bank (“FEBPB”) released a “viability study” of a proposed cooperative public bank structure composed of four member governments: the cities of Oakland, Berkeley, and Richmond and the county of Alameda.

Governance
A board of 15 directors, selected by representatives of the member governments, will govern the cooperative public bank. Board members will come from across the Bay Area and will be selected for their (1) knowledge of banking and finance; (2) alignment with the bank’s mission; and (3) connection to underrepresented communities. The treasurer of each member government will serve as a non-voting member of the board.

Financing
Initial capitalization of the bank will come from the member governments through “pledge deposits.” The bank will use this capital to invest in affordable housing, green energy, small business, and other priorities consistent with the bank’s mission.