LOCAL PUBLIC BANKING IN NEW YORK STATE
2023 F.A.Q.

What are public banks?

Public banks are created by governments, owned by and accountable to the people, and chartered to serve the public interest.

How would local public banking work in New York?

Local public banks would enable local governments to divest public money from Wall Street and reinvest in community needs. With a clear mission to advance racial, economic, and environmental justice, public banks would prioritize community-led economic development—including permanently-affordable housing, small and worker-owned businesses, and renewable energy—in historically-redlined neighborhoods. Returns on loans and assets would be reinvested into the bank or returned to local governments in the form of dividends.

How do cities do their banking now?

Each year, New York counties and municipalities collect many billions of dollars, including revenue from taxes and other sources, to fund public services. Most of this money currently is placed on deposit with private, commercial banks, including banks that systematically harm New Yorkers through redlining and predatory lending, and by financing fossil fuels, speculative real estate, and other destructive industries.

What are other examples of public banks in the U.S. and elsewhere?

Public banks are common throughout the world and on the rise across the U.S. This year alone, 16 public banking bills have been introduced in eight states. California enacted legislation in 2019 creating a statutory framework for local public banking, and several California cities are now en route to establishing public banks. The Bank of North Dakota (BND) has successfully operated for more than a century, financing public projects, partnering with local banks and credit unions to make responsible loans to small businesses, and stabilizing North Dakota's economy through multiple economic downturns. Globally, a quarter of all banking assets are publicly-owned and -controlled through public banks.[1] For example:

- Costa Rica's Banco Popular y de Desarrollo Comunal was chartered to make capital accessible to working people and operates with a triple bottom line that centers social, environmental and economic benefits.

[1] Vance Center for International Justice "Public Banking Around the World: A Comparative Survey of Seven Models"

- In Germany, the Sparkassen, a network of more than 400 local public banks, have invested deeply in community-based renewable energy infrastructure, small- and medium-sized enterprises, and other local needs.

- In Argentina, Banco Ciudad de Buenos Aires is a municipally-owned public bank that specializes in providing credit to micro, small, and medium-sized enterprises and extending banking services to hard to reach communities. Banco Ciudad serves as the official bank of the city and collects taxes, fees, and other contributions to the city's coffers.

How will local public banks strengthen New York's banking sector?

Public banks partner—rather than compete—with local banks and credit unions to drive responsible lending and expand safe and affordable financial services in historically-redlined neighborhoods.[2] That's why many New York-based financial institutions support public banking.[3] Public banks would provide liquidity, secondary capital, credit enhancements, and other support to community-based lenders—enabling them to grow and diversify their loans and services. This model has proven successful in North Dakota, where the BND has been credited with bolstering local financial institutions. As a result, North Dakota has more local banks and credit unions per capita than any other state.[4]

How will local public banks advance racial equity and a just transition and recovery?

Public banks will be mission-driven and charter-bound to promote social and racial justice, ecological sustainability, and equitable economic development—while maintaining strong financial performance. Public banks would help deliver responsible financing and emergency funding to small and worker-owned businesses (including MWBEs) hardest hit by COVID-19. They would also help to build more resilient communities, by partnering with local lenders to support community-rooted economic development initiatives and provide affordable loans to ventures that lack access to traditional financing, particularly in Black, brown, and immigrant neighborhoods.

Who supports local public banking in New York?

A broad and diverse coalition of more than 150 groups—including labor unions, community development financial institutions, community-based organizations, worker co-ops, legal service providers, community land trusts, and climate justice groups—supports the New York Public Banking Act. Here's why:

- Labor unions see public banking as an opportunity to create good paying union jobs through much-needed infrastructure investment and other economic development.

- CDFIs support public banks that will partner with them to expand loans and other financial services in low-income communities statewide.

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[2] http://www.demos.org/sites/default/files/publications/Demos_NationalBankPaper.pdf
[3] Letter to NYS Sen. James Sanders Jr. and Assemblymember Thomas J. Abinanti from nine New York-based financial institutions, December 4, 2020.
[4] Institute for Local Self-Reliance, "Public Banks: Bank of North Dakota"

- Housing justice groups and community land trusts have embraced public banking as a promising source of needed capital to build permanent, deeply-affordable housing.

- Climate justice groups have joined the movement because public banks are uniquely positioned to finance the transition to a green economy, and would help local governments divest public money from banks that finance fossil fuels.

What is the New York Public Banking Act?

The New York Public Banking Act [S.1754 (Sanders) / A. 3352 (Hunter)] creates a workable statutory framework for New York cities, counties and regions seeking to establish public banks. The legislation provides for responsible governance and protection of public funds held by local public banks. Under current law, a New York municipality seeking to establish a public bank must apply for a commercial bank charter and retrofit its business model to fit a regulatory system designed for private, commercial banks. The New York Public Banking Act authorizes the NYS Department of Financial Services to issue special purpose public bank charters to local governments that demonstrate safety and soundness, public accountability, and ethical and responsible governance.

To whom would local public banks be accountable?

Unlike private banks, which focus on maximizing short-term profits to enrich shareholders and executives, public banks are mission-driven to serve the public good. The New York Public Banking Act provides robust oversight, governance, and accountability mechanisms, while insulating public banks from political interference. Critically, the legislation requires that a majority of public bank board members be independent of the local government. Public banks' governing boards would include community leaders representing historically-redlined neighborhoods, individuals with community banking experience, and other diverse stakeholders. A technical advisory board would provide the public with an annual report outlining the bank's performance. And the daily operations of the bank would be run by independent banking professionals charged with carrying out the bank's mission.

Will I be able to open an account with a local public bank?

The New York Public Banking Act creates a flexible framework for local public banks to provide both commercial and retail consumer banking services. Thus public banks could tailor their services to meet the needs of the communities they serve. Many groups across the state support a "partnership" model, in which local public banks would partner with small banks and credit unions to expand access to high-quality, affordable financial services in historically-redlined communities. That means supporting more neighborhood branches as well as affordable accounts, money transfer, and other services—while building and rooting wealth in New York's low-income, Black, brown, and immigrant communities.

How will local governments capitalize public banks?

Local governments can capitalize public banks in multiple ways, including by making budget appropriations. Other options include issuing social impact bonds; offering passive minority interests to institutional investors; attracting philanthropic support; using federal stimulus funds; or employing a combination of these sources.