



What Can a Public Bank Do for Colorado?

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What is a public bank?

A public bank is a financial institution owned by the people through their representative governments and operated in the public interest. Public banks can exist at any level, from local to state to national or even international. Any government body can charter a public bank and use it to deposit public funds. Because it is publicly owned and operated, a public bank is mandated to serve a public mission that reflects the values and needs of the community that it represents. In existing and proposed US Public Bank models, skilled bankers, not the government, make bank decisions and provide accountability and transparency to the public for how their funds are used.

What makes public banking unique?

Unlike a private national bank, a public bank puts the interests of local communities first. Private national banks have become increasingly notorious for their lack of transparency and their prioritization of stakeholder profits over the clients and communities they are supposed to serve. The revenue shortfalls faced by local governments following the 2008 financial crisis demonstrated just how vulnerable local communities can be to the mistakes of large national banks that put their own profits over community development and fiscal strength. A statewide or citywide shift to public banking can help to ensure that taxpayer dollars and bank revenues go back into funding local communities. The shift toward public banking is an energized and growing movement nationwide, with over half of the states in the U.S. organizing, conducting research, or introducing legislation to promote public banking.¹ The Public Banking Institute is a nationwide think-tank dedicated to conducting research and supporting legislation, and serves as a valuable resource for implementing a successful shift away from national private banks. The Rocky Mountain Public Banking Institute, in partnership with 350 Colorado, have been working diligently to research and draft legislation to fit Colorado's unique economic needs, in order to transition towards a financial institution that puts community needs first.

¹ "Local Efforts & Legislation by State." Public Banking Institute. 2020. Accessed July 09, 2020. <https://www.publicbankinginstitute.org/local-efforts-by-state/>.

What are the benefits of public banking over private banking?

Investing in Institutions that Represent Local Interests

Not all states are alike, and naturally, different areas have diverse economic needs. As a financial institution that is directly invested in the community it serves, a public bank can help to ensure that specific local and statewide needs are met. In contrast, large national banks are not beholden to the interests or concerns of local communities – the profits that are generated from these communities are used to fund projects and institutions which do not benefit (and often actively harm) local communities and states. For example, projects such as massive oil pipelines, gun manufacturing, and private prisons are paid for with dollars that could otherwise be used to foster local infrastructure, business development, and statewide economic growth. By investing in local businesses and infrastructure, a public bank can help to guarantee that local needs are always put first.

Local Economies Foster Local Development

Public banking helps to ensure that taxpayer dollars stay circulating within the local economy. Instead of boosting the profits of wealthy Wall Street shareholders, local money can (and should) be used to fund local projects and foster community development. By eliminating the massive interest payments that come with borrowing from national private banks (since governments do not need to charge interest to themselves to fund their projects), a public bank can provide a major new source of income to the community without raising taxes. Financing public infrastructure projects with a public bank can reduce the costs of these projects by 35-50%, just by eliminating government interest payments.² In addition, the profits that are generated by a public bank go back into the general fund of a city, county, or state rather than in the pockets of wealthy Wall Street bankers and overseas accounts. Public banks can also boost local economic development by giving more affordable loans to small and medium-sized businesses, as well as increasing lending for education, sustainable agriculture, clean energy, environmental cleanup, housing, infrastructure, and health care.

² Public Banking Institute. 2020. Accessed July 09, 2020. <https://www.publicbankinginstitute.org/faq/>

Lower Costs for Taxpayers and Governments

Because the health and financial strength of a public bank is directly tied to the health and financial strength of the community it serves, it is in the interest of the public bank to keep costs low for community borrowers. Private national banks, on the other hand, profit immensely off the interest payments and fees of a population kept perpetually in debt. By offering affordable loans and lines of credit, public banks can dramatically lower the costs of subsidizing family and government needs. Communities are thus much more able to avoid budget deficits, and individual and government debt can be substantially reduced under a public banking system.

Resiliency During Crises and Recessions

By keeping banking local, a public bank can offer communities greater resiliency during times of economic crisis and recession. The 2008 Financial Crisis demonstrated the fallacy of the notion that banks can be “too big to fail.” When the Federal Government bailed out Wall Street Banks, taxpayers and local communities all over the U.S. took a massive financial hit. North Dakota however, as the only state to have a state-wide, state-owned public bank, actually experienced economic growth following the 2008 crash while every other state struggled to cope with revenue shortfalls.³ In times of economic downturn, large national banks will seek to protect their capital reserves by cutting the number of loans they give out. This can be detrimental to the individuals and communities that are struggling to meet their financial needs and are forced to take out loans during a recession. Public banks, on the other hand, lend counter-cyclically, meaning they actually lend *more* during times of economic decline. During an economic upswing, public banks will lend more frugally in order to bulk up capital reserves in preparation for the next recession. Thus, public banks are more able to meet the increased financial needs of local communities during recessions, and help governments stay financially resilient during national economic downturns.

Additionally, because public banks are tied directly to local communities, they can respond much more quickly and effectively to natural disasters than private national banks can. By investing in local infrastructure and funding rebuilding projects, public banks can help to ensure that local communities make a swift and effective recovery from unexpected crises.

³ Rapoport, Abby. "The People's Bank." The American Prospect. April 1, 2013. Accessed July 9, 2020. <https://prospect.org/article/people's-bank-0>.

Greater Transparency and Accountability

Public banks are directly accountable to the communities they serve, and their ties to local governments ensure that taxpayer dollars are used to benefit local economies in a transparent way. Because Wall Street banks operate as for-profit corporations, their managers are incentivized to create increasingly complex and intricate financial instruments to profit off individual, business, and government debts, with no regard for the needs of those in debt. In pursuit of greater profits for their shareholders, large private banks are more susceptible to investing in speculative bubbles and making risky investments. Public banks, on the other hand, have no incentive to make these same risky financial investments. Instead, these banks are beholden to local governments and community members and operate in a way that is open and transparent. Unlike large private banks, local public banks will provide governments with annually audited financial records and other reports with full online disclosure.

Public Banking: A Nationally Growing Movement

In recent years, a growing number of state and local governments have considered implementing public banking legislation. The rise in the number of states that have considered public banking since the 2008 Financial Crash indicates a growing disillusionment with large, national, for-profit banks. Currently, over half of the states in the United States have either organized, conducted research, or introduced legislation to promote public banking.⁴ To date, the Bank of North Dakota remains the only fully established state-owned bank in the country, with consistent financial success. California and New Jersey are making rapid headway in establishing statewide public banks as of 2019, and Oregon and Pennsylvania are pending public banking legislation. An additional 14 states have recently introduced bills or ballot measures, conducted feasibility studies, or created task forces to promote public banking, while 13 more have demonstrated widespread interest in public banking through community organizing.⁵ Here in Colorado, the Colorado Public Banking Advisory Group has convened to research and draft legislation to introduce public banking in Colorado, and are currently looking for support to sponsor a bill during the upcoming legislative session.

⁴ "Local Efforts & Legislation by State." Public Banking Institute. 2020. Accessed July 09, 2020. <https://www.publicbankinginstitute.org/local-efforts-by-state/>.

⁵ **For a full list of public banking legislation and feasibility studies in each state, you can visit:** <https://www.publicbankinginstitute.org/local-efforts-by-state/>.

North Dakota

As of 1919, the Bank of North Dakota has remained the only statewide state-owned public bank. The Bank of North Dakota helped the state to maintain financial resiliency during the Great Depression and the Great Recession, and it is so popular that no one in the state has seriously challenged it.⁶ During the 2008 financial crisis when every state faced shortfalls in revenue, North Dakota experienced economic growth. Unlike Wall Street Banks, the Bank of North Dakota avoided the irresponsible pattern of subprime lending and was even able to increase its lending during the 2008 recession. Since then, many states have looked to North Dakota's banking system as a model for establishing similar banks. The Bank of North Dakota has proven that public banking puts money back into the local economy – in recent years the bank has returned over \$600 million to the state's general fund.⁷

California

The California legislature is making rapid headway to establish the country's second state-chartered public bank. The Bank on California bill, AB 310, was introduced on July 9, 2020, and if passed, will establish a public bank capable of lending to small businesses and local governments.⁸ Proponents of the bill say that this is a much-needed move for the state to achieve economic stability and financial transparency in wake of the COVID-19 crisis. For years, California legislators have worked to expand public banking options in the state. In 2019, the California governor signed the Public Banking Act, which enables local governments to charter their own public banks. With oversight from the Department of Business Oversight and a separate professional board, local governments are empowered to establish publicly owned banks and partner with existing local financial institutions.⁹ 2019 also saw the passage of SB 528, a bill to expand the financial capacities of the California Infrastructure and Economic Development Bank (I-Bank), and allow the bank to accept deposits from local government and public entities.¹⁰

⁶ Rapoport, Abby. "The People's Bank." The American Prospect. April 1, 2013. Accessed July 9, 2020. <https://prospect.org/article/people-s-bank-0>.

⁷ "A Proven Model." Public Banking Institute. 2020. Accessed July 9, 2020. <https://www.publicbankinginstitute.org/successful-examples/>

⁸ Johnson, Jake. "California Bill to Establish Nation's Second Public Bank Applauded as 'Historic Challenge to Wall Street Domination.'" Common Dreams. July 10, 2020. Accessed July 11, 2020. <https://www.commondreams.org/news/2020/07/10/california-bill-establish-nations-second-public-bank-applauded-historic-challenge>

⁹ California Public Banking Alliance. "Assembly Bill 857." Accessed July 10, 2020. <https://californiapublicbankingalliance.org/wp-content/uploads/2019/06/ASSEMBLY-BILL-857-FACT-SHEET.pdf>

¹⁰ SB - 528 California Infrastructure and Economic Development Bank. Accessed July 10, 2020. http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB528

New Jersey

Following the election of Governor Phil Murphy in 2017, New Jersey has made rapid strides to establish a statewide, taxpayer-owned public bank. Governor Murphy, who won on a platform promoting public alternatives to Wall Street, signed an executive order in 2019 to establish a Public Bank Implementation Board. This board consists of 14 members who are tasked with developing a plan to establish a public bank within one year.¹¹ The Board has been directed to focus particularly on the capital needs of New Jersey's small businesses, students, local infrastructure, and affordable housing projects.¹² To develop a business plan, the Board will engage in public meetings with community members to see how the state bank can support low-income and minority populations, and strengthen local financial institutions and non-profit organizations.¹³

Oklahoma - Chickasaw Nation

Since its inception in 2002, the Chickasaw Nation's community bank, Bank2, has experienced massive growth and achieved national recognition. The bank began with \$7.5 million in assets and has since grown to have over \$135 million in assets. Bank2 has won numerous awards, and in 2016 was rated in the top 15% of all U.S. banks. Bank2 offers all the same services as a private bank, including checking accounts for consumers and businesses as well as consumer, commercial, and real estate loans. It remains the top source for home loans for Native Americans in Oklahoma, and one of the top lenders in the country.¹⁴

American Samoa

In 2018, the government of American Samoa opened a public bank to expand community options for financial services. Although recently established, the Territorial Bank of American Samoa has already helped the territory to transition away from a cash-based economy and strengthen its financial resiliency. By making business loans available to small local businesses, the People's Bank has aided American Samoa's economic development. The Fed approval of this public bank is significant, as it may serve as a precedent for the development of future public banks in the United States.¹⁵

¹¹ Executive Order No. 91. Accessed July 11, 2020. <https://nj.gov/infobank/eo/056murphy/pdf/EO-91.pdf>.

¹² Ibid.

¹³ Ibid.

¹⁴ "Why Bank2? Who We Are." Bank2. Accessed July 24, 2019. <https://bank2.bank/who-we-are>.

¹⁵ Blackwell, Rob. "American Samoa Finally Gets a Public Bank. And U.S. States Are Watching." American Banker. April 30, 2018. Accessed July 9, 2020.

An Internationally Proven Model

Globally, there have been a growing number of examples of successful public banking models. In fact, currently 25% of the banks in the world are publicly owned.¹⁶ Public banks have been shown to strengthen and stabilize local and regional economies worldwide, both aiding in recovery from recessions and natural disasters, as well as boosting local communities during times of economic growth. Public banking has proven to be successful in a diverse array of countries, including Germany, Canada, India, Costa Rica, China, South Korea, and Brazil. Ellen Brown's *The Public Bank Solution: From Austerity to Prosperity* traces the development of public banking internationally, and demonstrates how public banking has aided in economic growth and sustainability worldwide.¹⁷

Germany

Germany's public savings banks, Sparkassen, have proven to be a highly successful public banking model. The German public banking network offers a complete array of banking services to 50 million customers and holds 40% of German assets.¹⁸ Germany is ranked as the strongest economy in Europe, and Sparkassen serve as the country's financial backbone for over two centuries.

Alberta, Canada

The Alberta Treasury Bank was founded by the Alberta government in 1938 to expand local credit options. Since then, the bank has grown to a \$53 billion financial institution with 175 branches and 753,000 customers.¹⁹ The bank has competitively offered Albertans a full range of banking services and worked to strengthen small businesses and rural communities by offering low interest rates and offsetting cost during times of recession. The bank has also aided economic growth by helping to finance various social programs and climate change initiatives.²⁰

¹⁶ "A Proven Model." Public Banking Institute. 2019. Accessed July 23, 2019. <https://www.publicbankinginstitute.org/successful-examples/>

¹⁷ Brown, Ellen. "The Public Bank Solution: From Austerity to Prosperity." November 27, 2013. Third Millennium Press.

¹⁸ Simpson, Adam. "Public Banks." 24 October, 2018. Accessed July 10, 2020. www.thenextsystem.org.

¹⁹ Ascah, Bob, and Mark Anielski. "Opinion: Economics and Politics Stand in Way of Privatizing ATB." Edmonton Journal. October 02, 2018. Accessed July 24, 2019. <https://edmontonjournal.com/opinion/columnists/opinion-economics-and-politics-stand-in-way-of-privatizing-atb>.

²⁰ AEN Staff. "ATB Offers 'unique Competitive Advantage' to Alberta: Parkland Institute." EnergiMedia. September 05, 2018. Accessed July 23, 2019. <https://energi.media/alberta/atb-offers-unique-competitive-advantage-to-alberta-parkland-institute/>.

The Colorado Public Banking Advisory Group

The Colorado Public Banking Advisory Group is working in partnership with the Rocky Mountain Public Banking Institute and 350 Colorado to research, draft, and generate support for legislation enabling public banking in the State of Colorado. The group has been researching the specific economic needs of Colorado communities in order to draft public banking legislation to best fit those needs. Below is a list of frequently asked questions regarding public banking in Colorado.

What is needed now per legislation?

The CPBA are currently working with legislators to carry a bill to enable cities and counties to establish their own public banks likely under a charter from the state banking commission. Although we believe it may already be legal for home rule cities and counties, enabling legislation would eliminate doubt about it. This legislation should also include enabling cities and counties to bank with financial institutions that carry NCUA insurance (not only FDIC insurance as is now the law). This would enable banking not only with public banks, but also with local credit unions.

Why is Public Banking important now?

Rocky Mountain Public Banking Institute conducted an informal survey of needs indicating that cities and counties are strapped for funds, face cuts of services, and in some cases a request to sell off valuable assets. A public bank could enable local governments to make substantially more funds available by loans for urgent needs such as affordable housing, clean energy, infrastructure (roads, bridges, parks, etc.), health care, education, environmental cleanup, etc. and a portion of the income of the bank could be paid into the general fund. This year's COVID-19 pandemic has demonstrated how vulnerable state and local economies can be when banking with private banks that prioritize shareholder value over local needs. A public bank could ensure that taxpayer dollars stay in the community and uphold the public interest in times of crisis. Furthermore, public banking addresses the issue of the funding of extreme fossil fuel projects by many of the major wall street banks. For those concerned about climate change and looking for solutions towards defunding the climate crisis, shifting our banking model is an essential step. Representatives of numerous stakeholder groups focused on climate change, clean energy, affordable housing, education and student loans, health care, small business, and infrastructure are very enthusiastic about this project.

Is there sample legislation to draw from?

Yes. Draft legislation has been created by Rocky Mountain Public Banking Institute and is available upon request. There are also examples of legislation from around the United States from the National Public Banking Institute found here, including recent legislation passed in Washington and California in 2019:
<http://www.publicbankinginstitute.org/legislative>

The shift to public banking is a growing nationwide movement! Are you interested in helping to sponsor a bill to promote public banking in the upcoming legislative session?