



Why a State-Owned Public Bank is Good for New Mexico

What is a Public Bank?

Public Banks are owned by the people through their representative governments: a city, a county, a regional authority, a state, or a tribe, for the purpose of benefiting the community.

How is a Public Bank different from privately owned banks?

- Bank decisions are guided by a public mission or purpose established by the public.
- Its purpose is to benefit the whole public and it does not accept individual accounts or serve private shareholders.
- It accepts and invests public funds (taxes, fees, and fines).
- Its decisions are fully transparent and accountable to the public, unlike privately owned banks.

Will state government fund the bank?

- No. A Public Bank would be operated by professional bankers who make all bank financial decisions independent from the government entity.
- There are strong protections between the public interest and inappropriate political influence.

How does a Public Bank benefit the community?

- It may invest in local economic and community development, such as roads, buildings, parks, utilities.
- It can reduce the number of public projects paid for with bonds, thereby lowering the total bond costs.
- Bank profits from these investments can help fund new community services and projects.

Would a Public Bank Compete with Community Banks or Credit Unions?

No. A public bank and private local lenders (Community Banks, Community Development Financial Institutions, and Credit Unions) work together symbiotically to enhance the local economy. For example:

- Private local lenders (PLLs) do not make loans for public projects, but they benefit when the contractors who do public projects borrow from them for their interim financing and make deposits.

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- A Public Bank can provide low interest funding to PLLs that do make these kinds of loans.
- Through a cooperative arrangement (as in North Dakota) a Public Bank can help reduce onerous regulatory costs for PLLs and PLLs can help reduce due diligence costs for the Public Bank.
- PLLs do not make loans for public projects, but they benefit when the contractors who do public projects borrow from them for their interim financing and make deposits, thereby enhancing the multiplier effect in the local community.

Are Public Banks Safe?

- Public Banks make conservative, local investments; they are not vulnerable to the risk of loss associated with global investment banks.
- A Public Bank holds a bank charter, must follow all the rules and regulations required under that charter, and is managed by professional bankers.

What are Other Examples of Public Banks?

- The highly successful Bank of North Dakota has been owned and operated for the benefit of the people of North Dakota for 98 years. The *Associated Press* reports that in 2017, the Bank of North Dakota (BND) recorded its 14th consecutive year of record profits, with \$145 million in net earnings. BND has helped North Dakota maintain a low unemployment rate, large state government budget surpluses, a robust network of community banks, and high credit availability even during economic crises.
- In the United States, there are initiatives to establish Public Banks in more than twenty-three cities, counties, regions, states, and tribes.
- The Sparkassen Savings Banks in Germany have supported thriving communities for more than 200 years.
- Public Banks worldwide hold 40% of public funds (taxes, fees, and fines).

What is the Alliance for Local Economic Prosperity?

The Alliance for Local Economic Prosperity is a statewide coalition of concerned citizens with the mission to explore and advocate for a more democratic society with economic justice for all, through Public Banks that keep our State's dollars at work in NM. For more information, go to aflep.org.

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