



Alliance for Local Economic Prosperity

Keeping Our Public Funds Safe, Local and Working

Frequently Asked Questions about a Public Bank

What is Alliance for Local Economic Prosperity?

Alliance for Local Economic Prosperity (AFLEP) is a New Mexico nonprofit think tank. The Alliance promotes investment and management of public funds for local benefit. New Mexico's revenue is now largely invested in global banks outside the state, missing opportunities to invest in the needs and concerns of New Mexico communities. The public bank is a financial institution that enables a thriving State of New Mexico through expanded economic development and infrastructure enhancements.

What is a public bank and how is it funded?

Public banks hold a bank charter and must follow all the rules and regulations any community bank is required to follow. A public bank manages and invests public funds (taxes, fees). A public bank does not accept deposits of individuals as a retail bank does.

What Is the purpose of a public bank?

Public banks are owned by the people through their representative governments: city, county, regional authority, state or 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, so it does not accept individual accounts or serve private shareholders.
- It accepts and invests public funds (taxes and fees) and keeps them circulating in the state. Dividends are paid to the government body that owns the bank.
- Its decisions are fully transparent and accountable to the public, unlike privately owned banks.
- It works in partnership with community banks, credit unions and Community Development Financial Institutions (CDFI) to make loans that enhance local communities.

Will the government run the bank?

NO. A public bank is operated by professional bankers who make all bank financial decisions independent from the government entity. Strong protections are established between pursuit of 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: small businesses, low income housing, enhancing our food system, roads, buildings, parks, water and air safety, broadband and transitioning to sustainable energy.
- Its loans can take the place of expensive bonds for public projects, thereby lowering project costs due to paying the loan interest to the state-owned public bank.
- Bank profits from these investments can help finance new community services and projects.

Would a public bank compete with community banks or credit unions?

No. A public bank, community bank, credit unions and CDFI's work together to enhance the local economy. For example:

- A public bank can provide low interest funding to community banks and credit unions for economic development and infrastructure loans they do not typically make.
- Through a cooperative arrangement – as in North Dakota – a public bank can help reduce regulatory costs for community banks and credit unions.
- While community banks and credit unions do not make loans for public projects, they benefit when the contractors who work on public projects borrow from them. Money from these interim financing loans is deposited locally, thereby enhancing 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 and must comply with the rules and regulations and independent audits required under that charter. They are managed by professional bankers and governed by qualified community members and others committed to strengthening communities.

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 100 years. In 2018 the Bank of North Dakota (BND) recorded its 15th consecutive year of record profits with \$159 million in net earnings, with an ROI of 18%. BND has helped North Dakota maintain a low unemployment rate, supplemented state government budget revenue, enabled a robust network of community banks in the state and high credit availability even during economic crises.

In the United States, there are initiatives to establish public banks in more than 23 cities, counties, regions, states and tribes. Most recently legislation in California and New York has advanced and plans for municipal and regional public banks are in development in California.

The Sparkassen Savings Banks in Germany have supported thriving communities for more than 200 years. Public banks worldwide hold 40% of public funds, including taxes, fees and fines.

See recent national and local news on public banking at www.aflep.org.