



New York City Council Committee on Finance
Testimony by Andy Morrison on behalf of New Economy Project
April 19, 2023

Good morning Chair Brannan and Members of the Committee. My name is Andy Morrison and I am the Associate Director at New Economy Project. Thank you for the opportunity to testify today in support of Introductions 498, 499, and 999, and Resolution 203A, collectively called “The People’s Bank Act.” These measures promote vital public transparency about the City’s finances and financial relationships, and lay the foundation for a municipal public bank.

New Economy Project’s mission is to build an economy that works for all, based on cooperation, neighborhood equity, social and racial justice, and ecological sustainability. New Economy Project co-founded and coordinates Public Bank NYC, a citywide coalition of more than 50 community and labor groups and community development financial institutions (CDFIs) organizing to win a public bank for New York City.

This year, the City of New York will collect more than \$100 billion in revenue, from taxes and other sources, to fund public services. Currently, most of this money is placed on deposit with large, commercial banks that systematically harm New Yorkers and finance fossil fuels, speculative real estate, and other destructive industries. Public banking offers a bold alternative, and we urge the City Council to take immediate steps toward establishing a public bank, starting with swiftly passing “The People’s Bank Act.”

Introductions 498 and 499 will shine a light on NYC's financial relationships with commercial banks, promoting much needed public scrutiny and accountability. These two urgently needed bills require the City to provide the public with a quarterly summary of its accounts at “designated banks,” including balances and fees charged.

Resolution 203A urges the Governor and NYS Legislature to enact the New York Public Banking Act [S1754 (Sanders) / A3352 (Hunter)]. The New York Public Banking Act would create a statewide regulatory framework for local public banking – making it easier for New York City and other local governments to establish public banks.

Introduction 999 creates an implementation plan for a public bank. It establishes a task force to immediately get to work on preparing a business plan and other charter requirements for a municipal public bank. As the bill was only recently introduced, we look forward to working with the Council on a few technical changes and to ensure its swift passage.

Where we put our public dollars is a fundamental matter of public concern. Last year, the City cut ties with Wells Fargo¹ after the bank was exposed, yet again, for lending discrimination, this time against Black homeowners seeking to refinance their mortgages.² Amid the sudden collapse of Silicon Valley Bank and Signature Bank and ongoing turmoil in the financial sector, “The People’s Bank Act” is needed more than ever.

A public bank is what its name suggests: a financial institution created by a government and chartered to serve the public interest. More than 900 public banks exist worldwide in many shapes and sizes – from national development banks to municipal banks providing everyday financial services.³ What they share is an explicit mission to serve the public good.

A public bank will serve as a mission-aligned banking partner to the City, ensuring public money is reinvested locally in ways that advance public policy goals. Each year, the City deposits billions of public dollars in banks that engage in risky and abusive activities that run counter to the City’s policy objectives. The recently failed Signature Bank is a case in point. Last month, *Gothamist* reported that the City had \$60 million of our public money on deposit with Signature when the bank suddenly imploded.⁴ For years, advocates have sounded the alarm bell over the bank’s deliberate and widespread speculative multifamily lending to abusive landlords,⁵ which fueled tenant harassment and displacement in low-income communities and communities of color.

In fact, many of the banks entrusted with holding city funds are notorious for engaging in harmful activities, from predatory lending and redlining to fossil fuel finance. Four of the biggest banks holding New York City’s public deposits – Bank of America, Citi, JPMorgan Chase, and TD – have pumped more than \$1.2 trillion in financing into the fossil fuel industry, between

¹ *NYC Cuts Off Wells Fargo From New Bank Contracts Following Discrimination Claims*, at <https://www.thecity.nyc/2022/4/8/23016957/nyc-wells-fargo-ban-adams-lander>

² *Will NYC Bar Wells Fargo From Municipal Deposits After Alleged Discrimination Against Black Homeowners?*, at <https://www.thecity.nyc/2022/3/29/23002335/wells-fargo-black-homeowners-refinancing-nyc-contracts>

³ *Public Banks: Decarbonisation, Definancialisation and Democratisation*, at <https://doi.org/j62r>

⁴ *NYC has \$60M in Signature Bank accounts, fueling calls for more scrutiny*, at <https://gothamist.com/news/nyc-has-60m-in-signature-bank-accounts-fueling-calls-for-more-scrutiny>

⁵ *Public banking is a win for New York's tenants*, at <https://citylimits.org/2023/04/19/opinion-public-banking-is-a-win-for-new-yorks-tenants/>

2016 to 2022 alone.⁶ According to a recent report, “the City had more than \$515 million in Bank of America accounts and \$495 million in Chase accounts” on February 28 of this year – together representing more than three-quarters of the funds the City had in its standard deposit accounts on that day⁷

Over nearly three decades, New Economy Project has documented persistent patterns of bank redlining and other barriers that block – or actively expel – the working poor and people of color from mainstream banking, including prohibitive minimum balance requirements, discriminatory identification policies, abusive overdraft fees, and consumer reporting databases that effectively blacklist people from mainstream financial institutions. Our research estimated that banks with which New York City does business charged struggling New Yorkers nearly \$1 billion in overdraft fees during the first year of the pandemic – disproportionately extracting wealth from low-income, Black, brown, and immigrant New Yorkers.⁸

We have regularly published maps showing striking disparities in the distribution of bank branches throughout NYC, notwithstanding state and federal laws that require depository banks to treat all communities that they serve equitably, within the bounds of safe and sound banking principles.⁹ One in three New Yorkers – and more than half of Bronx residents – are among the so-called “unbanked” or “underbanked.” Households without a bank account are concentrated in neighborhoods with high poverty and unemployment rates; that are majority Black and/or Latino; and that have the least access to brick-and-mortar bank branches.¹⁰

We could go on, but the foregoing examples raise a fundamental question about how the City banks: Should we entrust billions of our public dollars to institutions that actively harm New Yorkers and NYC neighborhoods? The obvious answer is no. The City urgently needs a public option for holding public deposits in the form of a municipal public bank.

A public bank will hold city deposits and reinvest in historically-redlined communities, with a focus on supporting cooperative and community-controlled economic development that builds collective wealth. Through extensive community engagement across the city and

⁶ *Banking on Climate Chaos*, at <https://www.bankingonclimatechaos.org/>

⁷ *Which Banks Should Get to Hold NYC’s Billions in Cash?*, at <https://hellgatenyc.com/the-fight-for-nyc-public-bank>

⁸ *New Analysis Shows Banks Drained \$1.7 Billion in Fees From New Yorkers’ Accounts During Pandemic*, at <https://www.neweconomyproject.org/2021/06/new-analysis-shows-banks-drained-1-7-billion-in-fees-from-new-yorkers-accounts-during-pandemic/>

⁹ *Absence of Bank Branches in NYC Communities of Color*, at https://www.neweconomyproject.org/wp-content/uploads/2022/11/Branches_2022.pdf

¹⁰ *Where are the Unbanked in NYC?*, at <http://on.nyc.gov/3hMU7VY>

other research, the Public Bank NYC coalition has identified several areas of focus for a public bank's investment portfolio, including:

Affordable Housing

To meet the housing crisis head-on, New York must invest deeply in social housing. Social housing is non-speculative, permanently-affordable housing that is owned by the public or under democratic community or tenant control. To get New York on track, we must move away from profit-driven housing finance that ratchets up costs, further enriches Wall Street speculators, and fuels displacement in Black and brown communities. A public bank will expand social housing in New York City by:

- Providing low-interest loans to nonprofit housing developers and community land trusts (CLTs) for acquisition, construction, and rehabilitation of affordable rental and shared-equity housing. A public bank could help establish a secondary market for social housing loans, creating opportunities for pension funds, foundation endowments, and other investors to support social housing development.¹¹
- Expanding the lending capacity of CDFIs and other responsible lenders. Across the city, CDFIs are financing shared-equity housing cooperatives, deeply affordable rental housing, and CLTs. Public banks will partner with CDFIs to significantly increase lending for social housing through participation loans and by making secondary capital equity investments in CDFI credit unions.
- Purchasing state and municipal bonds to fund social housing. Public banks can become major buyers of shorter-maturity bonds issued by the NYS Housing Finance Agency, New York City Housing Development Corporation, local land banks, and other bonding authorities.¹² In doing so, public banks will lower the cost of borrowing for local governments and recapture interest payments currently extracted by Wall Street investors. Bond yields will grow the public bank's capital base and, in turn, further expand its social housing financing.

Climate Solutions

A public bank will give New York City a powerful tool to invest in community-led, ecologically-sustainable energy solutions that create local jobs and build wealth in low-income, Black, brown

¹¹ *Municipal Banking: An Overview*, at <https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Municipal-Banking-Overview-201604-1.pdf>

¹² *Ibid.*

and immigrant neighborhoods. Costa Rica’s public Banco Popular and Germany’s public KfW, for example, finance renewable energy development, energy efficiency retrofits, and other sustainable infrastructure.¹³ Similarly, a New York City public bank can help bridge persistent “financing gaps” for green infrastructure and sustainable development. Working with community-based organizations and local lenders, a public bank can support projects like:

- Community Solar and Wind Energy: A public bank will provide low-income, Black, brown and immigrant communities with affordable loans to finance community-controlled renewable energy infrastructure, helping to reduce dependence on fossil fuels, ensure democratic governance over energy development, and lower utility costs.
- Sustainable Building Renovations and Equitable Electrification: A public bank will provide nonprofit affordable housing providers and others with low-interest financing to rehabilitate and retrofit buildings – NYC’s single largest source of greenhouse gas emissions – helping to reduce emissions, improve energy efficiency, and create good-paying jobs.
- Community-Controlled Green Space: A public bank will provide CLTs with needed capital for community gardens, rooftop farms, and publicly accessible green space in Black and brown neighborhoods to support healthy and ecologically sustainable communities.

Small and Worker-owned Businesses

The pandemic further exposed inequities in commercial lending that disadvantage small and minority- and women-owned business enterprises (MWBs).¹⁴ Furthermore, New York City is home to a strong and growing network of worker cooperatives – businesses that are democratically-owned and controlled by workers. Employee ownership has been shown to create and preserve sustainable, living wage jobs.¹⁵ Yet employee ownership remains a vastly underutilized economic development tool, in part because “conventional lenders remain skeptical about financing businesses that have multiple owners and don’t typically provide voting shares to outside capital.”¹⁶ It is important to note, also, that a majority of worker-owners in New York

¹³ *Public Banking Around the World: Lessons for New York*, at <https://www.neweconomynyc.org/2021/10/public-banking-around-the-world-lessons-for-new-york/>

¹⁴ *Report of Firms Owned by People of Color*, at <https://www.fedsmallbusiness.org/survey/2021/2021-report-on-firms-owned-by-people-of-color>

¹⁵ *The Case for Employee Ownership*, at <https://project-equity.org/wp-content/uploads/2020/05/The-Case-for-Employee-Ownership-Project-Equity-May-2020.pdf>

¹⁶ *Are Cooperatives Really so Difficult to Finance?*, at <https://medium.com/fifty-by-fifty/are-cooperatives-really-so-difficult-to-finance-3adec81c70a8>

City are Black, Immigrant, and women of color¹⁷ – communities that face persistent barriers to banking – and therefore face a double whammy when it comes to accessing financing. A public bank would dramatically increase the availability of affordable financing for small and worker-owned businesses, with a particular focus on serving minority-owned businesses. It would do this through direct low-interest loan programs, and by partnering with CDFIs and other responsible lenders to expand small business lending in historically-redlined communities of color throughout the city.

Fair Lending and Financial Justice

A public bank will expand fair lending and banking access in historically-redlined Black, brown and immigrant communities, while helping to level the playing field for small credit unions and other responsible lenders that build community wealth. The century-old public Bank of North Dakota (BND) is credited with bolstering local financial institutions. The BND has a loan portfolio of nearly \$2 billion, lent out in partnership with community banks and credit unions. As a result, North Dakota has more local banks and credit unions per capita than any other state and nearly six times the number of financial institutions per capita than the U.S. overall.¹⁸ Similarly, a NYC public bank will:

- Strengthen the Local Banking Sector: A public bank will provide community-based lenders with key support – such as liquidity, secondary capital, and credit enhancements – to help them expand and diversify their lending.
- Expand Access to Responsible Financial Services: By partnering with community credit unions and other responsible lenders that serve historically-redlined neighborhoods, a public bank will expand access to safe and affordable banking products and services that build community wealth.
- Provide Needed Capital for Community-led Economic Development: A public bank will meet the credit needs of communities that the private banking sector has long failed to serve by channeling investment to equitable economic development – such as permanently-affordable housing, CLTs, MWBEs, worker cooperatives, community-controlled renewable energy, and more.

Finally, a public bank will promote public accountability and fiscal responsibility. Public banks are established to serve a public purpose – not to maximize short-term profits for private

¹⁷ NYC Network of Worker Cooperatives, at <https://nycworker.coop/coopfutures/>

¹⁸ Public Banks: North Dakota, at <https://ilsr.org/rule/bank-of-north-dakota-2/>

shareholders. A New York City public bank will engage in equitable and responsible lending, following strict financial principles that ensure safety and soundness.¹⁹ By leveraging public money to fund affordable housing, small businesses, renewable energy and other projects, a public bank will build a diverse loan portfolio that generates reliable returns, minimizes risk, and maximizes local economic impact.

Under the New York Public Banking Act (NYPBA), now pending in the state legislature, New York City will be eligible to apply to the NYS Department of Financial Services (DFS) for a special purpose public banking charter. The City will be required to demonstrate in its application to DFS that the public bank will have adequate reserves and liquidity, robust internal audits and controls, and sufficient capital. DFS will regulate all public banks chartered under the NYPBA, ensuring that they adhere to strict financial management standards.

Further, the daily operations of the public bank will be run by independent banking professionals. It will be governed by an accountable board of directors that includes community leaders representing historically-redlined neighborhoods, individuals with community banking experience, and other stakeholders with relevant expertise. The NYPBA requires that a majority of public bank board members be independent of the local government, shielding the bank from political interference while promoting meaningful community representation and accountability.

Successful public banks exist around the world,²⁰ and studies show they frequently outperform private banks in terms of safety, accountability, and profitability.²¹ For example, here in the U.S., the BND has been credited with helping North Dakota weather the 2008 financial crisis better than other states, as the state maintained “a low foreclosure rate and abundant credit for entrepreneurs looking for loans.”²² Public banks also responded quickly and effectively to the economic devastation caused by COVID-19, for example, shoring up small businesses and other critical infrastructure.²³ The BND, in particular, partnered with community-based financial

¹⁹ *Public Banks: A Viable, Safe Way to Leverage Public Money*, at <https://www.bondbuyer.com/opinion/public-banks-a-viable-safe-way-to-leverage-public-money>

²⁰ *Public Banking Around the World: A Comparative Survey of Seven Models*, at <https://www.vancecenter.org/wp-content/uploads/2021/10/Public-Banking-Around-the-World-A-Comparative-Survey-of-Seven-Models.pdf>

²¹ *Public Development Banks: Toward a Better Model*, at https://www.eurodad.org/public_development_banks_towards_a_better_model

²² *The People's Bank: How did deep-red North Dakota end up with the nation's most populist financial institution?*, at <https://prospect.org/power/people-s-bank/>

²³ *Public Banks and Covid-19: Combatting the Pandemic With Public Finance*, at https://publicbankscovid19.org/images/PDF_FILES/Public_Banks_and_Covid19_-_Full_Book.pdf

institutions to enable North Dakota to distribute more federal Paycheck Protection Program (PPP) relief loans per-capita than any other state in the country.²⁴

New Economy Project strongly urges the NYC Council to pass “The People’s Bank Act,” and to continue working with our organization and others to establish a municipal public bank, as a matter of racial, economic, and environmental justice. Thank you again for the opportunity to testify today. Please do not hesitate to contact me with any questions:

andy@neweconomynyc.org.

²⁴ *North Dakota Businesses Dominated the PPP. Their Secret Weapon? A Century-old Bank Founded by Radical Progressives*, at <https://www.washingtonpost.com/business/2020/05/15/north-dakota-small-business-ppp-coronavirus/>