Department of Finance

City Council Finance Committee Hearing

Testimony given by

Deputy Commissioner Jeffrey Shear,
Treasury & Payment Services Division,
New York City Department of Finance

April 28, 2021

Good morning, Chair Dromm and members of the Finance Committee.

My name is Jeffrey Shear and I am the Deputy Commissioner for Treasury and Payment Services at the NYC Department of Finance (DOF). I am joined today by my colleague Mary Christine Jackman, the City's Treasurer. We are here to discuss a package of legislation in relation to the City's treasury and DOF's role with the New York City Banking Commission.

DOF ensures that City deposits are protected in designated, financially secure banks, promotes competition among banks endeavoring to provide financial services to the City in order to reduce costs, and monitors the billing and administration of the bank accounts. Much of this work is done via the Banking Commission, which designates banks for City deposits and makes recommendations on the interest rates to be charged for property taxes.

This testimony will cover the two pieces of legislation which the Department of Finance would work with you on, Intros. 2164 and 2099. OMB has submitted written testimony for Int. 2100-A.

Intro. 2099, which was introduced by Council Member Levine, would require the commissioner of the Department of Finance to make quarterly reports regarding the department's accounts of deposit, disaggregated by account and re-aggregated by bank or trust company.

As the bill is written, the department offers its support, as long as a few changes are made, such as providing adequate time for implementation and excluding the City's smallest accounts from the reporting. Overall, this bill is something that we look forward to working with you and the administration on later in the process.

Intro. 2164, which was introduced by Council Member Rosenthal, would require the New York City Banking Commission to provide notice of public meetings in the *City Record* and on its website no less than 30 days before the date of a public meeting. It would also require that the notice be electronically transmitted to the office of the Speaker of the Council, each Council member, and the chairs of all community boards no later than the date the notice is published.

As is the case with the previous bill, we support the spirit of the bill with the reduction of the notice period and/or adding a provision to address emergency cancellations. In the interest of public transparency, the Banking Commission complies with the New York State Open Meetings Law, provides notice of meetings to the Speaker's office, in the *City Record*, and on the Banking Commission website 14 days in advance, and provides a live video stream for all of its meetings.

However, we believe that the 30-day notice period could prove problematic in the event that a meeting needs to be unexpectedly rescheduled, since the Banking Commission is legally obligated to meet certain deadlines, such as the May 13th deadline to make property tax interest rate recommendations to the City Council and the biannual May 31st deadline for bank designation.

I want to thank Chair Dromm and members of the committee for taking the time to listen to my testimony and I am here to answer any questions that you may have regarding the legislation.

The City of New York
Mayor's Office of Management and Budget
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Jacques Jiha, Ph.D.
Director

TESTIMONY OF THE NEW YORK CITY MAYOR'S OFFICE OF MANAGEMENT AND BUDGET TO THE COMMITTEE ON FINANCE
APRIL 28, 2021

Good Morning.

Thank you to the New York City Council Committee on Finance and Chair Daniel Dromm for holding this hearing and for providing the opportunity to submit testimony. My name is David Womack and I am the Deputy Director for Financing Policy and Coordination within the New York City Mayor's Office of Management and Budget (OMB). I would like to provide some brief remarks on one of the proposed pieces of legislation for this hearing, Intro 2100-A.

OMB shares a commitment to transparency with the Sponsor, the Committee, and the City Council, and much of the information requested is already publicly available. We would be happy to work with the Council to determine if there is a way to improve the accessibility or clarity of this information. However, it is important that we do not institute new reporting requirements that would prove unnecessarily burdensome with respect to information that is already publicly available. We also suggest that any such information be provided annually, rather than quarterly.

On a technical note, I would like to add that the City does not utilize certain financial instruments outlined in the legislation, such as non-pension investment pools or credit default swaps.

Thank you again for allowing me the opportunity to submit testimony to the Committee on this legislation.

99 Park Avenue, 4th Floor
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TESTIMONY
OF
CLARE M. CUSACK
PRESIDENT & CHIEF EXECUTIVE OFFICER
NEW YORK BANKERS ASSOCIATION

For

NEW YORK CITY COUNCIL COMMITTEE ON FINANCE

APRIL 28, 2021
NEW YORK, NEW YORK

The New York Bankers Association ("NYBA")[1] appreciates the opportunity to comment through this written testimony submitted for the record on Introductions 2099-2020 and 2100A-2020 and Resolution 1600-2021, under consideration at the New York City Council Committee on Finance hearing scheduled on April 28, 2021. The proposed Introductions under consideration by the Committee relate to the potential for public banking in New York City and include an analysis and reporting of City monies on deposit with financial institutions. The Resolution proposed for consideration relates to measures introduced in the New York State Legislature which would allow for the creation of a New York State owned public bank or for the creation of public banks by municipalities and cities in New York State such as New York City.

As the New York City Council considers these proposals relating to the creation of a public bank whether at the State or City level, NYBA respectfully encourages lawmakers to weigh whether any prospective benefits of a public bank will outweigh the many risks, including the prospect of precarious loan making with little capitalization, a lack of proper FDIC insurance and regulatory oversight, a scattered business focus, and the potential for external influence on lending and other decisions. A public bank would also devastate our community banks across New York City and New York State, whose operations are dependent on the municipal funds on deposit that would necessarily be extracted to create a public bank, thus leading to a loss of business growth, jobs and tax revenue from these vitally important institutions.

A public bank has been promoted as a quick fix for solving issues resulting from New York's devastated economy post pandemic. However, this unrealistic time frame and expectation does not take into account the complexities of starting, capitalizing and overseeing a bank of any kind. As the *Los Angeles Times* recently pointed out, "San Francisco recently studied three models for a public bank. The version that would have provided the most services would have required $119 million in start-up funding and $2.2 billion in public subsidies until the bank could break even — in 56 years. Few public agencies have the budget for such huge upfront costs or the ability to wait decades for a bank to become self-sustaining."[2]

While the New York Bankers Association recognizes that low-income communities and communities of color were hit the hardest by the pandemic, a public bank is not the answer and would in fact create false hope for a quick solution that could actually be long, drawn out, untested and unpredictable. NYBA is committed to working with legislators and interested stakeholders in finding workable and practical solutions to help all of our communities recover and rebuild equitably and to expanding access to the financial system. We believe strongly that there are alternative programs we can advance and improve that can achieve the same goals that are sought through various public banking proposals.

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[1] NYBA is comprised of the smaller community, mid-size regional, and large banks across every region of New York State. Together NYBA members employ nearly 200,000 New Yorkers, safeguard $2 trillion in deposits, and extend nearly $70 billion in home and small business loans. NYBA members also support their communities through an estimated $200 million in community donations and 500,000 employee volunteer hours.

[2] See: https://www.latimes.com/opinion/editorials/la-ed-public-bank-bill-20190527-story.html; see also: https://sftreasurer.org/sites/default/files/2019-08/1.%20Municipal%20Bank%20Report%20Executive%20Summary-03-01-19.pdf

Currently, the only public bank operating in the U.S. is the Bank of North Dakota, which was formed a century ago and serves a very limited purpose.[3] It is the last one remaining of the nearly two dozen other failed public banks that have been attempted over the last one hundred years. Furthermore, several states and municipalities have spent millions in taxpayer dollars to study various public bank proposals and all have reached the same conclusion: banking is a complex, expensive and extremely risky endeavor for a government entity to take on and realistically operate.

In the alternative, NYBA respectfully suggests that current programs meant to empower individuals and communities through access to banking be enhanced and modernized to better serve the needs of communities.

NYBA has always had as one of its missions making banking accessible to New Yorkers. In this regard, with NYBA's support, New York was among the first states to pass basic banking legislation and is still unique in the breadth of coverage of its basic banking account. Further, in recent years, we supported a basic banking incentive program regarding the earned income tax credit, which was spearheaded by the New York City Department of Consumer Affairs and the then State Banking Department. Through our combined efforts, hundreds of consumers were able to open new bank accounts with their federal income tax credit checks - introducing a whole new generation of consumers to the advantages of banking with a reliable community partner - their neighborhood banks. Today, NYBA members are working with the FDIC and the Cities for Financial Empowerment Fund to promote BankOn certification for accounts, to ensure that all New Yorkers have access to a safe, affordable transactional banking account.[4]

Another NYBA supported program is the Banking Development District (BDD) Program, overseen by the NYS Department of Financial Services. Its original purpose was to promote and encourage banks to build and maintain branches in communities that are not served by a physical branch within a set geographic area by offering municipal and State deposits as an incentive. In New York City, the New York City Banking Commission assists in the administration of the BDD program at locations across the City with the authorization of additional City deposits to these BDD branches. While its underlying purpose and intent is a good one, the BDD program has been mired in bureaucracy and regulation, and an outdated view on the necessity for brick and mortar branches in this digital world. It would be much more efficient for New York to improve this tried and tested program and to make participation more attractive to financial institutions seeking to provide more services and build community relationships in these underserved communities. Improvements to this program at the State and City level would utilize an existing reliable framework to achieve the goals of expanded access to the banking system.

Additional opportunities to serve communities across New York City exist through expanded funding for Community Development Financial Institutions, ("CDFIs"), which share a common goal of expanding economic opportunity in low-income communities

[3] See: https://bnd.nd.gov/history-of-bnd/

[4] For more information about the BankOn Certification program, please see: https://joinbankon.org/

by providing access to financial products and services or local residents and businesses. CDFIs are capitalized through the federal CDFI Fund, which has long been underfunded.[5] NYBA is proud to count among its members several CDFIs, and to see several other New York City members increase investment in CDFIs in recent months, bringing a much needed infusion of capital into the communities they serve. The CDFI program is one example of a successful public-private partnership that fosters economic growth in distressed communities by offering affordable lending options to individuals and businesses within those communities.

Along the same lines, another option for improving and expanding access to financial services is increased funding for Minority Depository Institutions (MDIs), as well as other measures to promote their growth. The Federal government defines an MDI as any depository institution where 51% or more of the stock is owned by one or more socially and economically disadvantaged individuals, recognized as Black American, Asian American, Hispanic American, or Native American. A second way an institution can qualify as an MDI is if the community it serves is predominantly minority and minorities occupy a majority of the seats on its Board of Directors. Increased funding to these institutions would serve communities in reliable, insured financial institutions. As with the CDFI program, NYBA is proud to count among its members several MDIs, and to see several other New York City members increase investment in MDIs in recent months as well. In fact, pandemic recovery efforts at the federal level have shone a spotlight on the work of these vital institutions. They currently possess the resources, community expertise and capitalization to help underserved New Yorkers build businesses and financial stability.

NYBA values this opportunity to provide comments and insights on Introductions 2099-2020 and 2100A-2020 and Resolution 1600-2021. NYBA will continue to advocate for expanded access to financial services across New York City and appreciates the contributions of its members serving communities through participation in these existing programs.

[5] For more information about CDFIs and the CDFI Fund, please see: https://www.cdfifund.gov/

New York City Council Committee on Finance
Testimony by Henry Garrido, Executive Director of District Council 37, AFSCME
April 28, 2021

Good morning Chair Dromm and Members of the Committee. My name is Henry Garrido, Executive Director of District Council 37, AFSCME. Thank you for the opportunity to testify today in support of Introductions 2099, 2100 and 2164, and Resolution 1600. District Council 37 is the largest public employee union in the City of New York. Not only do our members work for the City, but most of them live here, too. For 5 years, this District Council has worked in coalition with well over 100 advocacy organizations, legal services organizations, credit unions, and others around New York State to build momentum to address the needs of under-banked and financially-exploited communities. These bills promote vital public transparency about the City's finances and financial relationships, and lay the groundwork for establishing a municipal public bank.

A public bank is a financial institution created by a public entity—such as a city, county, or state—and owned by and accountable to the people. Public banks can serve as a powerful tool for local governments to invest in permanently affordable housing, small and worker-owned businesses, community-controlled renewable energy, and so much more.

Each year, the City of New York collects tens of billions of dollars 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 invest our dollars in fossil fuels, speculative real estate, and other destructive national and international ventures that harm New Yorkers, and disproportionately, poor and communities of color.

Public banking offers a bold, transformative alternative that would not only enable us to wrest control of public money from Wall Street banks, but also help us create a fairer more equitable New York City. As we build back from COVID-19, public banking offers us the chance to do better than the status quo, and instead to invest in historically-redlined communities and advance a just recovery from the COVID-19 pandemic for all New Yorkers.

As a first step, Introductions 2099 and 2100 would expose NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks," including balances and fees charged. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the city's deposits.

As NYC takes key steps to establish the nation's first municipal public bank, our State legislators can help. The "New York Public Banking Act" (S.1762-A /Sanders - A.5782 /Pichardo) would create a sound, statewide regulatory framework for local public banking—making it easier for cities, counties and regions throughout New York State to establish local public banks. We implore the Council to pass Resolution 1600, which urges the Governor and the Legislature to enact the New York Public Banking Act.

In our communities, a public bank for NYC would leverage billions of public dollars to reinvest in neighborhood-led development, strengthening our economy and advancing racial justice. As you know, red-lining was never just about prioritizing economic investment and opportunity by banking and real estate institutions. It has documented roots in racism against blacks and new immigrant groups. Red-lining neighborhoods continues today tagging them as poor options for real estate and housing development, banking and lending, economic investment and development, and as a target for predatory, fringe options. These predatory lenders, check cashers, rent to own furniture centers, and even some convenience stores have been around for so many years that many residents think of them as community bedrock institutions, rather than the wealth extractors that they are.

For these reasons, we see public banking as an opportunity to advance: 1) community-based affordable housing initiatives that adopt non-speculative housing models, such as community land trusts and mutual housing; 2) worker cooperatives, neighborhood parks and garden spaces, vendors and other small businesses that build health, community and wealth in our neighborhoods; and 3) community development financial institutions (CDFIs) network of credit unions and loan funds -- so that there will no longer be a market for wealth-extracting financial privateers, such as check cashers and loan sharks.

District Council 37's 150,000 members and 50,000 retirees strongly urges the NYC Council to pass Introductions 2099, 2100 and 2164, and Resolution 1600, and to continue working with our organization and others to establish a municipal public bank, as a matter of racial, economic, and community justice.

Thank you again for the opportunity to testify today.

Please do not hesitate to contact me with any questions.

New York City Council Committee on Finance
Testimony by Jaime Weisberg of The Association for Neighborhood and Housing Development (ANHD)
April 28, 2021

I am writing on behalf of the Association for Neighborhood and Housing Development (ANHD) in support of Introductions 2099, 2100, and 2164, and Resolution 1600. These proposals promote important public transparency about the City's finances and financial relationships and lay critical groundwork for creation of a municipal public bank. ANHD is a nonprofit coalition comprised of over 80 neighborhood-based affordable housing and equitable economic development organizations and CDCs with over 40 years of experience in policy and organizing work related to bank reinvestment, affordable housing, and equitable economic development on behalf of New York City's low- and moderate-income (LMI), immigrant, and Black, Indigenous, and People of Color (BIPOC) communities.

A core piece of ANHD's work is to hold banks accountable for their responsibilities under the Community Reinvestment Act (CRA). The CRA is one of the major civil rights laws that were passed in response to discriminatory policies and practices that locked people of color and entire neighborhoods out of banking, credit, housing, employment, and education. It is one of the most important laws we have that holds banks accountable to local communities, requiring them to lend and provide services equitably, and to support community development in the areas where they do business. The CRA has leveraged two trillion dollars nationwide since 1996[1], and, in the past five years alone, ANHD has documented near or over $10 billion each year reinvested in New York City[2]. Thanks in part to the CRA, over 330,000 units of affordable housing have been built in the past 40 years, and a third of that by nonprofit developers.

However, even with the CRA and the other hard-earned civil rights era banking laws – the Fair Housing Act, Home Mortgage Disclosure Act, Equal Credit Opportunity Act – discrimination, redlining, and harmful practices persist. Over 95% of banks pass their CRA exams despite these disparities.

- Banks continue to close bank branches in LMI and BIPOC communities, do not open in underbanked communities, and collectively take in billions annually in overdraft, ATM, and maintenance fees.
- 22% of NYC is Black and 29% Latinx, yet just 9% of all home purchase loans in 2019 went to non-Hispanic Black borrowers and 9% to Hispanic borrowers of any race.
- LMI and BIPOC communities persistently receive fewer home and small business loans than wealthier and whiter communities; the distribution of COVID-relief PPP loans demonstrated similar patterns such that COVID-impacted communities did not have equitable access to these forgivable loans[3].
- Banks continue to provide financing to bad-acting landlords who harass and displace tenants. Such activities are harmful at any time, and even more so during a global health pandemic[4].

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[1] https://ncrc.org/what-the-community-reinvestment-act-means-to-lending-in-philadelphia/
[2] https://anhd.org/project/state-bank-reinvestment-nyc-annual-report
[3] https://anhd.org/blog/new-yorks-small-businesses-left-out-paycheck-protection-program
[4] https://anhd.org/project/multi-family-lending

Tens of billions of dollars of New York City's money flows into and through commercial banks each year, regardless of how well these banks support New York City communities through their CRA activities. Only a failing rating would remove a bank from consideration, and that rarely happens. The City of New York should have a higher standard for the banks with which they do business; and do business with banks whose CRA records – and overall business models – demonstrate the strongest commitment to our city's LMI and BIPOC communities. ANHD has fought for years to have the city do business with banks that invest and reinvest responsibly in New York City's LMI and BIPOC communities, with significant pushback from the banking industry. A public bank would be designed with this framework from the start and this effort complements the work ANHD does to enforce and strengthen the CRA for the banks that operate in New York City.

ANHD believes that public dollars should go towards the public good to benefit New York City's BIPOC, LMI, and immigrant communities. A public bank is designed to ensure that our public deposits are reinvested into the community, either by lending directly or lending through mission-driven entities like CDFIs and community development credit unions. A public bank would be chartered to use our public deposits and dollars to support the kinds of banking and reinvestment activities ANHD urges banks to do through their CRA work: branches and affordable, accessible products in unbanked communities and for underbanked New Yorkers; deep and permanent affordable housing, quality jobs, and support for BIPOC homeowners and small business owners, especially those who have suffered the most through this pandemic and need more resources for an equitable recovery. However, unlike CRA-regulated banks, this would be the core mission of the public bank, rather than something done alongside other businesses that, at best, are less beneficial to these populations, and at worst are harmful. In addition to calling for the CRA to include an affirmative obligation to serve BIPOC communities, ANHD has long called for banks to be downgraded on CRA exams for harm or displacement[5], as happens, for example, when banks finance bad-acting landlords who harass and displace tenants; charge low-income consumers predatory overdraft fees; or offer high-cost loans to BIPOC small business owners. A public bank would not be allowed to support such activities.

Further, we believe that a public bank can raise the bar for all banks. First, the public bank will invest in mission-driven entities like CDFIs and credit unions, thus strengthening these institutions' ability to bank and lend to communities that lack equitable access. The bank will also foster investments in mission-driven developers that build and preserve permanent affordable housing for the lowest-income New Yorkers. These will offer models for banks to adopt and opportunities to provide other forms of CRA investments to support the projects and others like them.

As a first step towards creating a public bank, Introductions 2099 and 2100 seek to shine a light on NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks" other financial entities, including balances and fees charged. In the past, ANHD has tried to understand this system over the years through FOIA requests to the Department of Finance, and by analyzing contracts posted to Checkbook 2.0[6]. Through this, we saw which banks held major contracts, such as payroll, lock boxes, central treasury, and some credit card accounts, as well as banks that provided investment and advisory services related to the city's pension funds. But the process is complicated, time intensive, incomplete, particularly related to the full set of accounts and deposits flowing in and out of them, as well as related

[5] https://anhd.org/project/community-reinvestment-act-advocacy

[6] "State of Bank Reinvestment in NYC: 2014, Major Finding #3 Where the city does business with banks and Financial Institutions (pages 32-37) https://anhd.org/report/state-bank-reinvestment-new-york-city-2014

fees and interest payments. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the city's deposits.

As New York City takes key steps to establish the nation's first municipal public bank, Albany can help. The "New York Public Banking Act" (S1762-A (Sanders) / A5782 (Pichardo)) would create a sound, statewide regulatory framework for local public banking—making it easier for cities, counties and regions throughout New York State to establish local public banks. We urge the Council to pass Resolution 1600, which urges the Governor and NYS Legislature to enact the New York Public Banking Act.

ANHD strongly urges the New York City Council to pass Introductions 2099, 2100 and 2164, and Resolution 1600, 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.

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New York City Council Committee on Finance
Testimony by Jodie Leidecker of Cooper Square Committee
April 28, 2021

Good morning Chair Dromm and Members of the Committee. My name is Jodie Leidecker, organizer, at Cooper Square Committee. Thank you for the opportunity to testify today in support of Introductions 2099, 2100 and 2164, and Resolution 1600. These proposals promote vital public transparency about the City's finances and financial relationships, and lay critical groundwork for creation of a municipal public bank.

Each year, the City of New York collects tens of billions of dollars 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, transformative solution that not only can enable us to wrest control of public money from Wall Street banks, but also can help us to invest in historically-redlined communities and advance a just recovery for all New Yorkers. A public bank is a financial institution created by a public entity—such as a city, county, or state—and owned by and accountable to the people. Public banks can serve as a powerful tool for local governments to invest in permanently affordable housing, small and worker-owned businesses, community-controlled renewable energy, and more.

As a first step, Introductions 2099 and 2100 seek to shine a light on NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks," including balances and fees charged. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the city's deposits.

As NYC takes key steps to establish the nation's first municipal public bank, Albany can help. The "New York Public Banking Act" (S1762-A (Sanders) / A5782 (Pichardo)) would create a sound, statewide regulatory framework for local public banking—making it easier for cities, counties and regions throughout New York State to establish local public banks. We urge the Council to pass Resolution 1600, which urges the Governor and NYS Legislature to enact the New York Public Banking Act.

A public bank for NYC would leverage billions of dollars of our public money to reinvest in neighborhood-led development, strengthening our economy and advancing racial justice. In particular, our organization sees public banking as an opportunity to advance **housing justice.**

A public bank could support non-speculative housing models, such as community land trusts and mutual housing such as the Cooper Square Community Land Trust and Mutual Housing Association, the city's oldest CLT. These models promote community-controlled development and permanent housing affordability, and can help stem gentrification and displacement.

Cooper Square Committee strongly urges the NYC Council to pass Introductions 2099, 2100 and 2164, and Resolution 1600, 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.

PARTNERSHIP
for New York City

Testimony of the Partnership for New York City
New York City Council Committee on Finance
Int. 2099, Proposed Int. 2100-A and Res. 1600
April 28, 2021

Thank you Chair Dromm and members of the committee for the opportunity to testify on Int. 2099 and Proposed Int. 2100-A which would require the city to report on its banking and financial services relationships as well as Res. T2021-7393 which would support state legislation authorizing cities and counties to establish public banks and to create a state public bank.

The Partnership opposes the creation of a public bank by New York City or State as a fiscally dangerous and unnecessary use of public resources. New York is the financial capital of the world, with a tremendous range of banking and related services in the private and nonprofit sectors.

To the extent that city government identifies legitimate and viable unmet financing and credit needs, they should be addressed through existing channels. During COVID-19, there has been extraordinary pressure on local community development financial institutions (CDFI) because of the volume of demand for origination of federal, state and city loans to small business. A review of the city's CDFI and micro-lending capacity and the possible need to expand it would be an appropriate action that may address some of the concerns that prompted the legislation under consideration today.

There are many financial risks associated with the proposed public bank. For example, consolidating government funds in a single, public depository institution would not provide the distribution of risk that exists in the current model where public funds are held and managed by multiple institutions.

Advocates for public banks suggest that the public bank would be a source of low-cost capital for government priorities that are not able to attract private sector financing on favorable terms. But a city- or state-owned bank would need to observe the same regulations and underwriting standards as private institutions or the public bank would inevitably fail, with the consequent loss of public capital.

Most concerning, a public bank would be subject to political pressures that could lead to corruption. The New York Public Banking Act (A.5782/S.1762) supported by Res. 1600 would create a board whose members are appointed by the Mayor, City Council and Comptroller – all elected officials subject to political pressures. Public and elected officials would even be allowed to serve on the board. This is a recipe for disaster.

Finally, the city is not in a fiscal position to be capitalizing a public bank. Projections are that the city will face substantial deficits over the next five years because of the economic fallout of the pandemic. In the past seven years, the city budget has increased by 26% and the revenues needed to support even the current level of spending will be difficult to secure when federal stimulus funds are exhausted. Launching and operating a public bank in the face of projected budget deficits is not just risky, it is imprudent.

We urge the Council not to move forward with advocacy for a public bank, but to work with private and nonprofit institutions to address credit and financing needs.

The Partnership for New York City represents private sector employers of more than one million New Yorkers. We work together with government, labor and the nonprofit sector to maintain the city's position as the preeminent global center of commerce, innovation and economic opportunity.

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New York City Council Committee on Finance
Testimony by Christopher Fasano of Mobilization for Justice, Inc. and
Legal Services Staff Association, UAW Local 2320
April 28, 2021

Good morning Chair Dromm and Members of the Committee. My name is Christopher Fasano. I am a senior staff attorney at Mobilization for Justice, Inc. and a member of Legal Services Staff Association Local 2320 in UAW Region 9A. Thank you for the opportunity to testify today in support of Introductions 2099, 2100 and 2164, and Resolution 1600. These proposals promote vital public transparency about the City's finances and financial relationships and lay the groundwork for a public bank that will democratize the city's finances.

Mobilization for Justice, Inc. envisions a society in which there is equal justice for all. Our mission is to achieve social justice, prioritizing the needs of people who are low-income, disenfranchised, or have disabilities. We do this by providing the highest quality direct civil legal assistance, conducting community education and building partnerships, engaging in policy advocacy, and bringing impact litigation. We assist more than 10,000 New Yorkers each year in the areas of disability rights, children's rights, economic justice, and housing rights, benefitting over 25,000.

Each year, the City of New York collects tens of billions of dollars 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. This public money should remain within the public domain. The public, not Wall Street, should decide where it is invested. And that public money should always serve a public purpose. The only way to achieve this end is through a public bank, which is a financial institution created by a public entity – such as city, county or state – that is owned by and accountable to the people.

A public bank wrests control of public money from Wall Street banks and empowers the communities that these banks have historically preyed upon. Local governments would deposit their revenue in the public bank and the bank, in turn, would be required to invest this money in permanently affordable housing, small and worker-owned businesses, community-controlled renewable energy, and more. Those very same communities prioritized by the bank's underwriting policies—those at the margins of the city's economy—would serve on its board. The bank would be uniquely positioned to identify local economic development needs while always remaining accountable to the people it is designed to serve.

As a first step, Introductions 2099 and 2100 seek to shine a light on NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks," including balances and fees charged. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the City's deposits.

As New York City takes key steps to establish the nation's first municipal public bank, Albany can help. The "New York Public Banking Act" (S1762-A (Sanders) / A5782 (Pichardo)) would create a statewide statutory framework for local public banking—making it easier for cities, counties and regions throughout New York State to establish local public banks. We urge the Council to pass Resolution 1600, which urges the Governor and the New York State Legislature to enact the New York Public Banking Act.

A public bank for NYC would leverage billions of dollars of our public money to reinvest in neighborhood-led development, strengthening our economy and advancing racial justice. In particular, Mobilization for Justice, Inc. and the Legal Services Staff Association see public banking as a critical tool to advance housing and financial justice.

A public bank could address the housing crisis through sweeping measures, including financing the construction of social housing to increase the supply of low- and middle-income units in New York City. It could originate or refinance home loans in impoverished communities. And it could also intervene in a more targeted fashion. For example, since the 2008 housing market crash, federal agencies like the Department of Housing and Urban Development and the Federal Housing Finance Agency have sold hundreds of thousands of delinquent home loans, including many loans here in New York City, to an assortment of private equity firms and hedge funds, who then impose onerous terms on homeowners. I have represented those homeowners, who often felt pressured to accept loan modifications they could not afford to stave off foreclosure. A public bank could have rescued them by using its resources to purchase these loans, writing down principal and offering affordable terms. Although the City, in fact, has the Community Restoration Program to buy delinquent home loans, it has only purchased a few dozen loans, while a single private equity firm, Lone Star Funds, purchased tens of thousands. A public bank with greater capital at its disposal could do much more.

A public bank could also provide basic banking services for the unbanked. The COVID-19 Pandemic underscores the importance of making banking services available to all. In just the past couple of months, the IRS has resorted to sending stimulus payments to nearly 26 million households in the form of paper checks, a costly delay for people who rely on this relief to meet basic living expenses, and a problem that will plague the IRS in the coming months as it advances child tax credits. A modern welfare state functions best if members of the public, and especially the most economically marginal groups, have bank accounts. Historically, public entities have played this crucial role of ensuring that all members of the community enjoy the benefits of banking services. From 1910 to1968, people could open accounts through the United States Postal Savings System, a service particularly popular among immigrant depositors who owned over 75 percent of the postal bank's deposits shortly after its inception. Nearly 100 years later, the Sparkassen public banks in Germany filled a similar void. Due to an influx of refugees and asylum seekers, in 2015 and 2016, Germany's unbanked population spiked to nearly one million. Private banks largely turned these immigrants away, but the Sparkasssen banks did not, opening over 250,000 accounts for refugees. What differentiates the private and public banks in Germany is the mandate that public banks promote savings and ensure financial services to all individuals. The absence of similar public infrastructure here in New York City leaves 11.2 percent of the city unbanked and another 21.8 percent underbanked, with those denied access to banking services concentrated primarily in Black and Hispanic communities. Only a public bank can guarantee basic financial services for all New Yorkers.

Mobilization for Justice, Inc. and the Legal Services Staff Association strongly urge the NYC Council to pass Introductions 2099, 2100 and 2164, and Resolution 1600, 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.

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New York City Council Committee on Finance
Testimony by Jamell N.A. Henderson of New York Communities for Change
April 28, 2021

To Chair Dromm and the Members of the Committee on Finance,

My name is Jamell Henderson, Crown Heights/Bedford-Stuyvesant chapter and parole justice organizer with New York Communities for Change. I am truly honored for this opportunity to represent the Black and Brown communities to testify today in full support of Introductions 2099, 2100 and 2164 and Resolution 1600. These proposals promote vital public transparency about the city's finances and financial relationships, and lay critical groundwork for the creation of a municipal public bank.

New York Communities for Change organizing is premised on two simple truths: that when we knock on doors and meet people, the fabric of the community is tightened; and that when people are agitated not from one side to another, but from the bottom up, our movement is unified.

Whether calling out the vulture capitalists who are profiting off the humanitarian crisis in Puerto Rico or the real estate lobby that have bought and paid for undue influence in our state government, NYCC's campaigns target the economic forces driving racial inequality. We seek to challenging those who rigged the system in their favor —wall street, hedge funds, real estate, private equity and the like— to pay the greatest concession to those who have been hurt the most— BLACK and BROWN COMMUNITIES.

Consider this, do any of us know why they are charging New Yorkers billions of dollars in unnecessary overdraft fees, charging a monthly fee if New Yorkers don't sign up to pay through them, and have a difficult time explaining why you have the right to know where your money goes? This is the experiences of New Yorkers who have been charged, even during this pandemic.

Each year, the City of New York collects tens of billions of dollars 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. This is not right at all, especially as traditional New Yorkers are seeing our city transform around them without their input nor presence.

Each year, the City of New York collects tens of billions of dollars 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. We have an opportunity to prove to the country and to the world, that New York leads the way.

As a first step, Introductions 2099 and 2100 seek to shine a light on NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks," including balances and fees charged. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the city's deposits. This will be a tremendous opportunity for New Yorkers to see where our money is going and to demand that our money is DIRECTLY invested in our city and our communities.

As NYC takes key steps to establish the nation's first municipal public bank, Albany can help. The "New York Public Banking Act" (S1762-A (Sanders) / A5782 (Pichardo)) would create a sound, statewide regulatory framework for local public banking—making it easier for cities, counties and regions throughout New York State to establish local public banks. We urge the Council to pass Resolution 1600, which urges the Governor and NYS Legislature to enact the New York Public Banking Act. The people of the City of New York deserve the opportunity to be a part of the transformation of our society that this pandemic has presented; we can make history.

A public bank for NYC would leverage billions of dollars of our public money to reinvest in neighborhood-led development, strengthening our economy and advancing racial justice. In particular, our organization sees public banking as an opportunity to advance financial and climate justice, where A public bank would partner with community development credit unions and loan funds—mission-driven, community-led financial institutions that provide safe and affordable financial services across the city. Through a public bank, NYC could divest from banks that fuel climate destruction. It could invest in ecologically sustainable development, such as community-controlled renewable energy and other vital infrastructure.

New York Communities for Change strongly urges the NYC Council to pass Introductions 2099, 2100 and 2164, and Resolution 1600, 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.

Be a part of the right side of the people and history.

Respectfully Submitted,

Jamell N.A. Henderson, M.P.A., M.P.P.
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New York City Council Committee on Finance
Testimony by JOHN PARASKEVOPOULOS of New York City Democratic Socialists of America Debt & Finance Working Group
April 28, 2021

Good afternoon Chair Dromm and Members of the Committee. My name is John Paraskevopoulos and I'm a member of the New York City chapter of the Democratic Socialists of America, Debt and Finance working group. Thank you for the opportunity to testify today in support of Introductions 2099, 2100 and 2164, and Resolution 1600. These proposals promote vital public transparency about the City's finances and financial relationships, and lay critical groundwork for creation of a municipal public bank.

The New York City Democratic Socialists of America is a member of the public banking coalition and an organization of volunteers committed to supporting public policies that increase democratic control over the economy, limit the extraction of wealth from working-class communities, mitigate and reverse harm done to the ecosystem, and create racial justice and a fairer society for all. We believe that the creation of a public bank of New York City accomplishes each of these goals, and that the bills being discussed by this committee today are a step in the right direction.

Each year, the City of New York collects tens of billions of dollars in revenue from taxes and other sources to fund public services. Currently, most of this money is placed on deposit with large commercial banks responsible for systematically disinvesting in New York's communities of color, financing fossil fuel industries around the globe, speculating on real estate, and engaging in fraudulent and risky lending activity. Entrusting that money with these financial institutions betrays New Yorkers by using their tax dollars to support activities that they do not support. There is no reason why this money should not instead be kept on deposit with a publicly-owned bank that can use these resources to invest in our community.

A public bank is a financial institution created by a public entity that is owned by and accountable to the public. In this respect public banks are no different from public libraries or public schools and are common worldwide. Public banks can serve as a powerful tool for local governments to invest in important areas that are neglected by the private banking industry, such as renewable energy, permanently affordable housing, and worker-owned businesses. Public banks can also remedy the shortcomings of a private banking system by prioritizing investments in neighborhoods red-lined by the private banking industry, offering banking services to the unbanked and undocumented, and reinvesting profits in the public coffers. Public banks lower costs for government by eliminating the fees associated with retaining private banks as bond counsel or underwriters and by providing low-cost financing to government projects. A public bank would also provide useful competition to the private banking sector, which enjoys an unfair monopoly on the provision of financial services in New York in spite of its deeply checkered history of failing to comply with financial regulations and fair lending practices, and chronic inability to invest meaningfully in the goods and services New Yorkers need most. When New Yorkers need affordable housing, private banks finance luxury condominiums. When New Yorkers need green jobs, private banks finance fossil fuels. When New Yorkers need to stay in their homes, private banks foreclose on their mortgages.

As we survey the dislocation wrought by the COVID-19 pandemic on our city's economy, it's clear that business as usual will not suffice for a just economic recovery. Experience has taught us that during recessions and economic crises, our small businesses, homeowners, tenants and workers are more likely to be taken advantage of by large banks and creditors than bailed out by them. Private banks are the first to cut their losses and close credit lines during a downturn, slowing down the process of economic recovery and costing our city and its workers hundreds of thousands of jobs in the meantime. By contrast, a public bank could help struggling small businesses refinance their debts, keep credit lines open, and boost recovery efforts by financing jobs programs. Moving forward, we need new structures in place for ensuring that economic destruction does not fall so unjustly on those with the fewest resources, while private banks rake in record profits resulting from government stimulus spending.[1]

A public bank of New York City could have deeply benefited New York's businesses and workers during the COVID-19 crisis. After the passage of the CARES Act by Congress and the federal Paycheck Protection Program (PPP) in March of 2020, the Bank of North Dakota, the only public bank in the United States, partnered with local financial institutions to expedite applications for PPP loans for small businesses in North Dakota. As a result of the Bank of North Dakota's actions, small businesses in North Dakota secured more PPP funds per

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[1] Mark DeCambre. "Wall Street profits soared in first half of 2020 amid the worst pandemic in a century, report says." *MarketWatch*, Oct. 22, 2020.
https://www.marketwatch.com/story/wall-street-profits-soared-in-first-half-of-2020-amid-the-worst-pandemic-in-a-century-report-says-11603374500

employee than their competitors in any other state.[2] Adding to its ability to secure more PPP funding for businesses and workers in North Dakota, the Bank of North Dakota rolled out two additional special lending programs, both of which helped businesses restart and rebuild, and it offered deferments on $1.1 billion in student loans. During the Great Depression, the Bank of North Dakota helped pay its state's teachers and sold foreclosed farmland back to its farmers, and has continuously stepped up to aid recovery efforts after natural disasters. When the Federal Reserve announced the creation of a special-purpose Municipal Liquidity Facility in May of last year in order to provide liquidity support to local governments and lending programs, a Public Bank of New York City could have utilized this facility to boost low-cost emergency lending to New York's small businesses.[3] Instead, without a public bank to take advantage of such programs, New York's small businesses, and especially its minority and women-owned businesses, struggled to access funding to re-open and pay rent, and countless businesses closed and furloughed employees, deepening New York City's economic contraction and unemployment crisis and adding painful instability to the lives of hundreds of thousands of New York City's workers.

Detractors of the public banking model couch their skepticism in an unfounded allegation that creating a public bank of New York City is infeasible, but this assertion rings hollow in a city that is the banking capital of the world with a budget the size of a sovereign nation. A public bank of New York City could be structured as a public authority or public benefit corporation so that its non-profit public mission would be reflected in its bylaws and charter. This type of incorporation would also ensure its balance sheet would not impact New York City's credit rating, and any bonds it issues would be tax-deductible, making them attractive to investors. Moreover this structure would permit New York City's elected officials to appoint its directors, who would be charged with upholding the public spirit and mission of the bank and representing the needs and interests of New York City's residents and workers. A separate advisory board, composed of individuals knowledgeable about banking and finance, whose members would be appointed by the board of directors and subject to a screening process to ensure no conflicts of interest, could advise the board of directors on technical matters. The bank could maintain an account with the Federal Reserve bank of New York to borrow from the discount window, and the bank's cash reserves could be stored there as well. A public bank

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[2] Andrew Van Dam. "North Dakota businesses dominated the PPP. Their secret weapon? A century-old bank founded by radical progressives." *Washington Post*, May 15, 2020. https://www.washingtonpost.com/business/2020/05/15/north-dakota-small-business-ppp-coronavirus/

[3] "Municipal Liquidity Facility." Board of Governors of the Federal Reserve System. Last updated April 12, 2021. https://www.federalreserve.gov/monetarypolicy/muni.htm

could also utilize the Federal Reserve bank's check-clearing and wire services for payments processing, and could recruit staff from the financial community in New York City, drawing from the immense pool of passionate and skilled financial workers and banking analysts who choose to locate in New York City because of its status as the finance capital of the world. Such a bank would hold the city's deposits in trust, and its lending program could be capitalized with a bond issuance through New York City's capital budget, as well as one-time-only appropriation from the city's general fund. Because of banks' ability to leverage capital, a capitalization of just one billion dollars would allow the bank to make loans cumulatively equal to ten billion dollars, allowing a public bank to scale the impact of public money more effectively than traditional government financing programs.

The bank's commercial lending programs could be required by law to incorporate environmental, social and governance (ESG) criteria to ensure that the bank prioritizes lending to businesses that are worker-owned, minority or women-owned, unionized, compliant with labor laws, not engaged in environmentally unsustainable practices, and other factors. The fact that the bank would not need to generate competitive profits for shareholders would mean that the bank could offer its services at lower costs than private banks, creating a productive atmosphere of financial competition that would incentivize both local businesses to comply with the bank's ESG frameworks and also private banks to lower their fees. The bank could purchase or underwrite local bonds, retaining money paid for government debt service in local circulation. The bank could launch targeted policy programs to direct low-cost financing to socially important public projects, such as the construction of permanently affordable public housing, where rents could be set at more affordable rates owing to lower borrowing costs. Finally, as a public institution the bank's books could be transparent and subject to annual internal and external auditing, guaranteeing accountability for New York City's deposits and the bank's lending program. If ever there were a place where creating a public bank were feasible, New York City is the place.

As a first step, Introductions 2099 and 2100 seek to shine a light on NYC's financial relationships with commercial banks. These two important bills would require NYC to provide the public with a quarterly summary of its accounts at "designated banks," including balances and fees charged. Additionally, Introduction 2164 would require the NYC Banking Commission to provide meaningful notice of its public meetings and report to the City Council on its determinations of which financial institutions are eligible to hold the city's deposits. We strongly urge the NYC Council to pass Introductions 2099, 2100 and 2164, and the resolution in support of the New York Public Banking Act, and to continue working with our organization to establish a municipal public bank. Thank you again for the opportunity to testify today. Please do not hesitate to contact me with any questions and I hope to work with each of you on this important issue in the future.