



An Act to Establish a Massachusetts Public Bank

S.632 (Eldridge) / H.975 (Connolly, Cabral)

Massachusetts Public Banking Overview

What does this bill do?

- **Establishes a public bank wholly owned by Commonwealth**
- **Requires the public bank to use its resources to fill pressing and unmet capital gaps in:**
 - Underserved communities;
 - Women- and minority-owned small businesses and farms;
 - Municipalities experiencing underinvestment;
 - Housing and worker cooperatives;
 - Community-scale climate investments.
- **Establishes that the public bank will support, rather than compete with private banks:**
 - The public bank will provide financing in cooperation with community banks and Community Development Financial Institutions (CDFIs), as well as with the Commonwealth's quasi-public lenders.
 - The public bank's only depositor will be the State Treasurer (no competition for deposits).
 - With assets of only \$1.6 billion, the public bank will be small, and only a tiny fraction of private banking activity in Massachusetts (whose banks hold \$350 billion in assets).
- **Subjects the public bank to prudential supervision by the MA Division of Banks,** such that the public bank will comply with the same rules applying to private banks chartered in the Commonwealth.
- **Provides funding for the public bank's \$1.6 billion in assets by:**
 - Appropriating \$200 million in capital (equity) over a period of four years (\$50 million each).
 - Requiring the State Treasurer to hold deposits at an annual average of \$1.4 billion in the public bank. The amount will be transferred from balances currently held at the Massachusetts Municipal Depository Trust (MMDT), with no impact on MA's private banks.

Why a public bank?

- **The capital gap in the Commonwealth is large and pressing.** According to The Boston Foundation, the capital gap for business owners of color alone is nearly \$574 million for a single year. In our survey of local CDFIs, over half of CDFIs reported an urgent or somewhat urgent need for more capital.
- **Flexible, low-cost, and sustainable lending in underserved communities will help address economic inequities.** Public bank financing would reach low-income communities, women- and minority-owned businesses, and farms.
- **The public bank will allow using the Commonwealth's balances to promote local economic development.** In contrast, current state balances held at MMDT (about \$7 billion) a privately managed short-term portfolio, are funding borrowers in other states and countries. Over the past decade, yields on MMDT balances have been under 1%, meaning there is little sacrifice in transferring a small portion of them to the public bank.

Why is the public bank a financially responsible investment for the state?

- **The public bank will have a sustainable business model:**
 - Because the public bank will only have the State Treasurer as its sole depositor and will not have branches or serve retail customers, and by working with CDFIs and community banks, it will have substantial savings in operating costs.
 - These savings can be prudently and responsibly used to improve loan terms for the public bank's borrowers in ways that private banks cannot afford. The result is a win-win for all.
 - Studies and models by our experts demonstrate that once established, the public bank will be financially independent and will not require further appropriations.
- **Community development facilitated by the public bank will increase tax revenues.** For every \$1 of new economic activity, the state recoups 5 cents in income and sales taxes.
- **The public bank is scaled as a pilot project, one that cannot adversely affect the state's finances.** With assets of \$1.6 billion, the public bank represents a tiny fraction of the state's \$104 billion in current liabilities.

How will a public bank be governed?

- **The public bank's governance combines expert financial management to ensure safe and sound operations, with community voice to ensure funds are used where they matter the most.**
- **A 9-member Board of Directors will oversee the operation of the public bank.** The Board of Directors will include the state treasurer (or designee) and 8 of her appointees, representing CDFIs, local banks, credit unions, small businesses, and environmentally-conscious financiers.
- **The CEO will manage the daily operations and develop the public bank's business plan.** The CEO will be hired by the Board of Directors. The Board of Advisors will provide comments and suggestions on the business plan and will also engage the broader public by making the draft business plan available for comment on an online portal. The final business plan will require approval by the Board of Directors.
- **An 18-member Board of Advisors will engage public stakeholders.** The Board of Advisors will be appointed by the governor and will include representatives of non-profits supporting underserved neighborhoods, sustainable agriculture and food security organizations, climate change and environmental justice organizations, and organizations representing workers.

Endorsed by:

Alliance for Democracy
Alternatives for Community and Environment (ACE)
Black Economic Council of Massachusetts
Boston Impact Initiative
Boston Ujima Project
Boston Workers Circle
Cambridge Economic Opportunity Committee
CommonWealth Kitchen
Community Economic Development Center
of Southeast Massachusetts
Cooperative Fund of New England
Dudley Street Neighborhood Initiative
Environmental League of Massachusetts
Families for Justice as Healing
King Boston
Local Enterprise Assistance Fund (LEAF)

Massachusetts LGBT Chamber of
Commerce
Massachusetts Peace Action
Massachusetts Sierra Club Metropolitan
Area Planning Council Metropolitan
Mayors Coalition Mothers Out Front
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Massachusetts Silverbrook Farm
The Boston Foundation
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For a copy of the bill, please visit masspublicbanking.org

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