

# TIMBER | MEMORANDUM OF SUPPORT

S.1756 (Sanders Jr.) / A.2536 (Peoples-Stokes)

Establishes the State of New York Public Bank

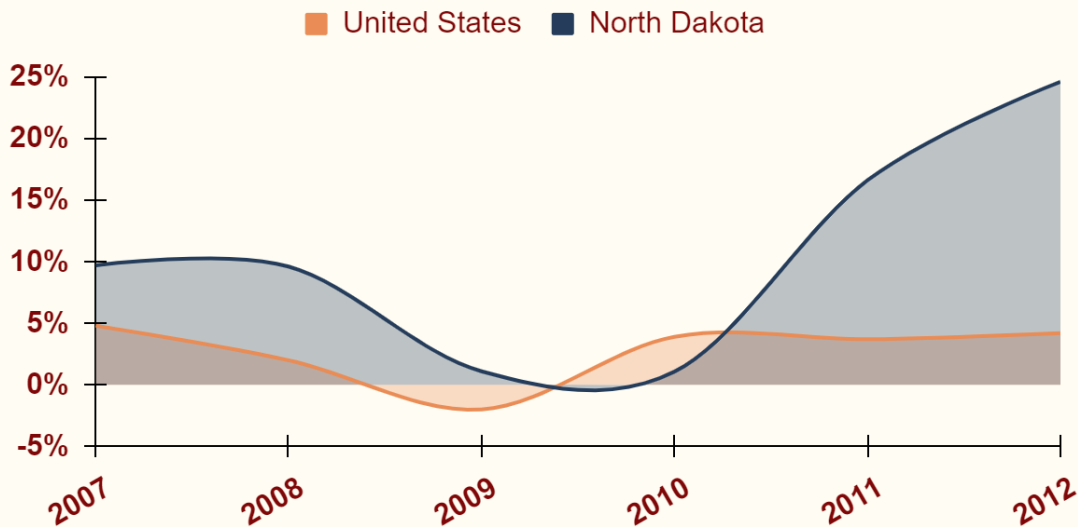
**Purpose:** This legislation would establish a New York State public bank for the purposes of investing in public infrastructure, financing higher education, and supporting businesses and communities.

**Background:** Despite existing in some capacity for centuries, state-owned banks enjoy renewed interest today due to their role in rapidly transforming regional infrastructure, accumulating vast financial assets, and insulating national and regional economies from the worst effects of global financial shockwaves. Like computers, state-owned banks are remarkably valuable but ideologically agnostic tools; they have been credited as primary engines of progress in recent political and economic circumstances as varied as those of North Dakota, China, Brazil, India, Germany, Japan, and Indonesia.<sup>1</sup>

Private financial institutions have a fiduciary responsibility to act in their shareholders' best interests. As speculators, relaxed regulations and taxpayer-subsidized losses allow private banks to assume little risk while they speculate in dubious investments. As commercial lenders, private banks can generate large profits by charging service fees and commissions at a surplus. Once distributed, wealthy shareholders frequently abuse tax loopholes to ensure those profits are not efficiently reinvested in the real economy.

By contrast, a public bank's primary duty is facilitating financial activity of genuine value to taxpayers that may be impractical, unattractive, or legally prohibitive for private lenders. By banking with itself, the state spares itself needlessly costly service fees. Finally, the appointment of bank officers by elected officials allows the public to participate in the decision-making of the enterprise's priorities and activities.

## Weathering the Great Recession, 2007-2012 (Annual % GDP Growth)



Source: Bureau of Economic Analysis, U.S. Department of Commerce

<sup>1</sup> <https://www.swfinstitute.org/fund-rankings/government-bank>

The Empire State Public Bank benefits from an exemplary domestic model. Over 100 years ago, a farmer-led coalition established the Bank of North Dakota (BND) and other state enterprises in reaction to usurious lending and extractive rents on the part of out-of-state business interests. Since then, BND has turned a profit every year while managing the state's assets and investing in its economy, higher education system, and public infrastructure.<sup>2</sup> North Dakota's consistently rapid recovery from financial crises is often credited to the BND's extraordinary resilience, community investment, and reactivity.

**Justification:** Around the world, state-owned banks have financed massive infrastructure projects that progress at scales well beyond that of our own New Deal. By establishing sustainable, sovereign financial institutions, many cities, provinces, states, and countries have enabled meteoric economic development while at the same time rejecting unfavorable loan conditions from the private and not-for-profit sectors.

New York City is the financial capital of the world. If it were a country of its own, New York State would boast one of the largest national economies, with a current-dollar GDP of approximately 1.9t.<sup>3</sup> In spite of our vast wealth, the state cannot secure the funding necessary to restore state agencies to historical staffing levels or implement critical upgrades to our transit, housing, and utilities infrastructure.

The **Climate Leadership and Community Protection Act (CLCPA)** is one such law that perfectly exemplifies the unique virtues of public banking in our current economic circumstances. It is the consensus view among environmental experts that the CLCPA is urgently needed legislation at a time when renewable energy has never been cheaper.<sup>4</sup> **Because New York State does not have access to the right financial instruments, however, our transition to renewable energy is contingent upon funding that still eludes lawmakers.** A sound financial and social project undertaken by the responsible government of a major global marketplace should not be challenging to finance on credit – we simply lack the appropriate tools for doing it.

While the CLCPA is a dramatic example of the state's revenue and financing crisis, even modest laws remain unimplemented because their staffing requirements or marginal financial implications prove too burdensome for the state. **Such scarcity is undemocratic.** When the state lacks the capacity to fully implement its popular mandate, it is forced to pick and choose what it will effectively implement. Ordinary citizens are rarely the ones doing the picking and choosing.

**TIMBER nurtures daily democracy in the Capital Region by advocating for reforms to make our civic infrastructure more resilient, effective, and accountable. We fully support this legislation.**

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<sup>2</sup> [https://bnd.nd.gov/pdf/2020\\_bnd\\_annual\\_report.pdf](https://bnd.nd.gov/pdf/2020_bnd_annual_report.pdf)

<sup>3</sup> <https://www.bea.gov/sites/default/files/2022-03/qgdpstate0322.pdf>

<sup>4</sup> <https://www.carbonbrief.org/solar-is-now-cheapest-electricity-in-history-confirms-iea>



Greg Campbell-Cohen | Managing Officer  
e: [greg@timbercorp.org](mailto:greg@timbercorp.org) | c: 571-424-0540