



PUBLIC BANK

SUMMARY

The state government of New Jersey collects billions of dollars each year from multiple sources of revenue, including taxes, fees, fines, etc. and deposits them into Wall Street banks. These banks use this money for their private purposes and interests anywhere in the world, recently returning about 1% to New Jersey for the privilege of holding our money. When the State needs money for infrastructure, like transit projects or school upgrades, it goes back to these same banks to borrow money, often at considerable expense, often doubling the financing cost of public projects. This arrangement has continued uninterrupted for generations and this financing practice has created a national portfolio of state and municipal debt now approaching \$6 trillion dollars.

In 2016, the state and municipalities of New Jersey paid more than \$1 billion in fees and \$3 billion in interest to Wall Street for debt service. Payment of these debt costs are typically prioritized over meeting the public purpose for which they were borrowed.

A state bank would enable the public to take more efficient and productive control of the state's money, realize the same leveraging power of all banks, save significant sums by self-financing, and create a new source of revenue from lending/investing in state interests and objectives. This cycle of money flow would reverse upward trends for state debt and taxes that extract public wealth, and properly redirect state resources toward public interests.

Once fully established, the state bank can provide substantial new lines of affordable credit for infrastructure projects, including energy efficiency upgrades on our public buildings, especially schools, hospitals, libraries and community centers. By keeping the State's substantial deposits at work in the state, NJ can leverage and multiply public assets to meet public needs, while avoiding the speculative risks of Wall Street.

The state bank will bring a new resource to the chronic challenges of financing public needs such as infrastructure, as well as enable new investment in various other priorities such as affordable housing, student loans, small business, energy efficiency upgrades and renewable energy development. As a formidable partner for state-based financial institutions like community banks, credit unions and development agencies, the state bank will enable new lines of credit for needs that typically go un-addressed.

POLICY RECOMMENDATIONS

1. ESTABLISH A STATE-OWNED & CHARTERED DEPOSITORY INSTITUTION

Legislate any necessary changes in state law to support creation of the bank, enable its charter and accommodate its operational mission. The bank should be 100% owned by the state of New Jersey, and all state government deposits should be put into the state bank

2. CREATE A BANK MISSION

The state bank must operate within the parameters of its mission. The mission should not only reflect the needs of government, but also the expressed objectives and values of citizen stakeholders; these civic shareholders should be part of the bank's creation and on-going governance as empowered overseers.

New Jersey's distinct economic neighborhoods and regions require special consideration and programs that address core needs, whether urban, agricultural, or tourist-oriented; state bank lending should ensure that its lending flows adequately and fairly to all regional sectors of the state economy.

3. ENSURE OVERSIGHT

Incorporate a Citizens Advisory Board directly related to the bank's Board of Directors for oversight of bank lending programs and mission. The board should be gender-balanced and members must represent regional balance with backgrounds in the bank service mission. At least half the board should be elected.

4. MANDATE PARTNERSHIP WITH COMMUNITY FINANCIAL INSTITUTIONS

Establish a partnership role with NJ-based community financial institutions. Collaborating institutions such as community banks, credit unions, CDFI's etc. may serve as branch offices for regional and programmatic needs.

5. GUARANTEE BANK TRANSPARENCY

Mandate complete transparency and accountability in bank operations and lending, and ensure online accessibility to information. Protect bank integrity by insulating private and political affiliations from influence and hire professional banking staff verifiably separate from such ties.

6. FINANCE AND REFINANCE

Existing state debt can be refinanced at considerable savings, while new lines of credit could be created to serve targeted communities. Municipalities can have access to special infrastructure programs which are particularly helpful for water and energy efficiency projects. New Jersey should consider a program like North Dakota's where funds are offered at 2% for 30 years, and can be channeled through state and civic agencies such as CDFI's and other development agencies.

RECOMMENDATIONS DEVELOPED BY AND WITH
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