

Protecting Your Financial Interests



Government of the District of Columbia
Department of Insurance, Securities and Banking

What is a Public Bank?



ABOUT US

Who We Are

The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates financial-service businesses in the District by administering DC's insurance, securities and banking laws, rules and regulations.

Our Mission

- Protect consumers by providing equitable, thorough, efficient, and prompt regulatory supervision of the financial services companies, firms, and individuals operating in the District of Columbia;
- Develop and improve market conditions to attract and retain financial services firms to the District of Columbia.





What is a Public Bank?

A public bank is a chartered depository bank in which public funds are deposited. It is owned and operated by a government unit such as a state, county or city.

- In contrast to conventional banks, a public bank is likely to have a mandate for serving a public mission which reflects the values and needs of the public that it represents.
- The Bank of North Dakota (BND) is the only active public bank in the contiguous United States, formed in 1919 following a crisis in the agricultural sector and a constriction on credit available to local businesses. Please visit <https://bnd.nd.gov>



The District is interested in establishing a public bank, if feasible, as it could have the potential for enhancing the District's fiscal management, improving returns on District funds, and providing a more robust lending climate in the District.

DISB is presently conducting a feasibility study for establishing a public bank in the District of Columbia.

The Public Banking Feasibility Study Report will include;

- Functions of a Public Bank
- Governance Considerations
- Implementation Plan
- Operational & Policy Considerations
- Financial & Economic Impacts



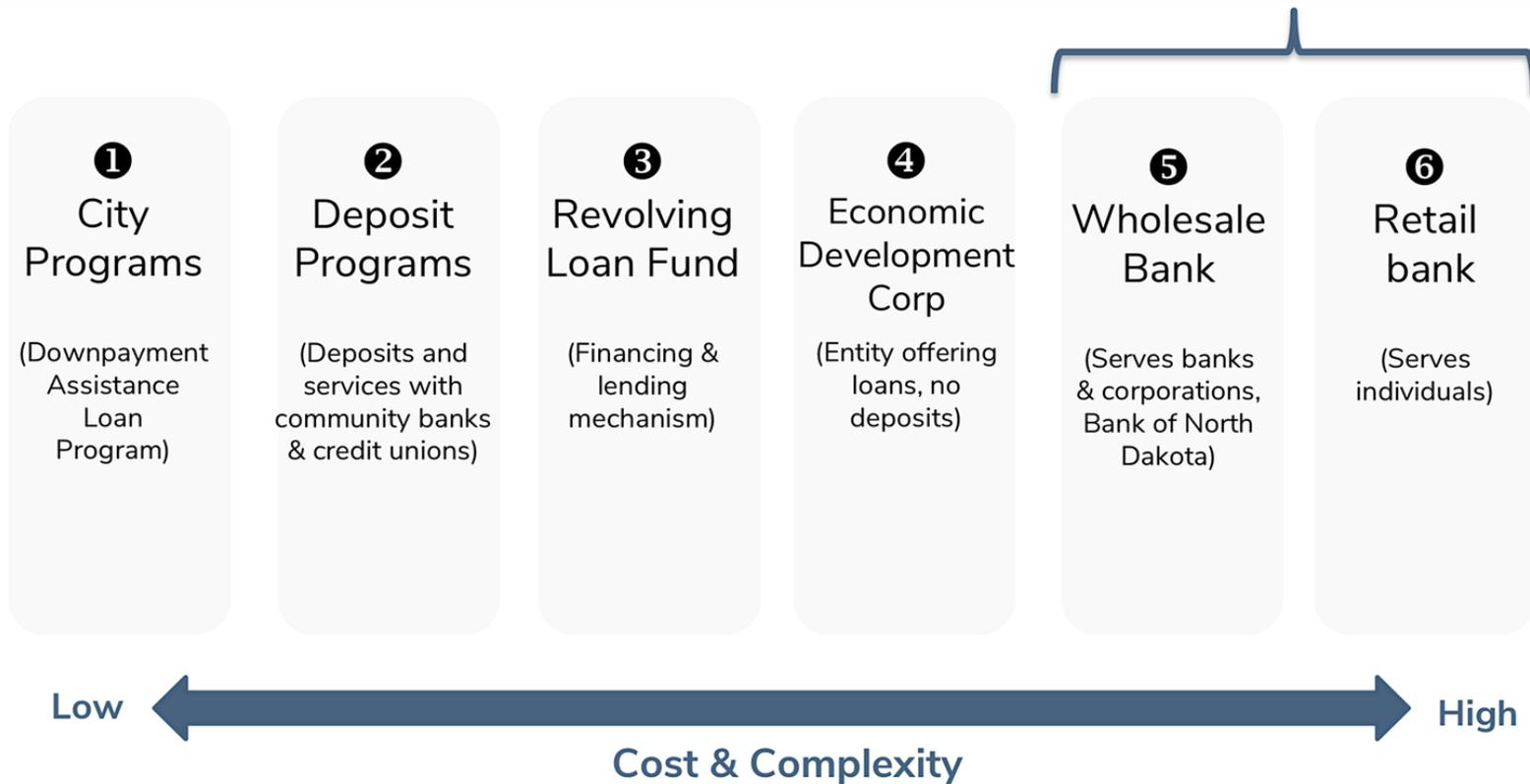
Public Banking in a U.S. Territory

Territorial Bank of American Samoa (TBAS) is a full service bank, owned and operated by a local government.

- Obtained Federal Reserve approval in the 2nd quarter of 2018
- TBAS focuses on providing business loans in the Territory.
 - There had not been any commercial lending five years prior to approval
- Capital for infrastructure modernization and recovery efforts from Cyclone Gita was a driving factor.

Please visit <https://www.mytbas.com>





The logo for the Department of the Interior, Bureau of Indian Affairs (DISB). It features the letters "DISB" in a bold, dark blue, sans-serif font. To the right of the text is a stylized blue arrow pointing to the right, composed of several overlapping triangular shapes.

Public Banking & Small Businesses





Small Business Case Study

Small Business Name

Branick Industries – A specialty maker of automotive tools in Fargo, N.D.

Idea

Make a new kind of drain plug for an oil pan, one with an O-ring that expands to stop oil leaks.

Challenge

\$2 million to import from the manufacturer who normally requires 50 percent down. The production timeline and the timeline for first customers to pay would require them to float 8 months of operating cost.

Solution

The Public Bank helped finance the loan — and also used state money to buy down the interest rate, from 5.25 percent to 1 percent.

Benefit

The interest rate reduction saved the company \$111,000 over 55 months = \$2000/month



Purpose

To assist North Dakota communities in expanding their economic base. The program is available to all cities and counties throughout North Dakota for qualified projects. These loans are made by a lead financial institution in participation with Bank of North Dakota

Approach

- Bank of North Dakota administers a revolving fund which is used for the purpose of buying down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota.
- The Bank of North Dakota's participation does not exceed eighty percent nor be less than fifty percent of the total loans.



PACE Small Business Interest Rate Buydown

PACE fund moneys are used for participation in an interest rate buydown on a loan to a new or expanding business for the following eligible uses:

- a. Purchase of real property and equipment.
 - b. Expansion of facilities.
 - c. Working capital.
 - d. Inventory.
- The funds for the community's portion of the buydown may come from a local development corporation, contributions, community funds, future dedicated tax programs, or any other community source.
 - The maximum amount from the fund in the interest rate buydown may not exceed five hundred thousand dollars per loan.
 - The fund participation must be limited to the amount required to buy down the interest to five hundred basis points below the national prime interest rate.





Potential Benefits for District Small Businesses

1. Financing or factoring District government receivables
2. Sharing risks with CDFI's, Micro-lending Programs and similar initiatives
3. Financing for green development projects
4. Low- interest financing for commercial/ industrial real-estate





Who's Exploring Public Banking

State/ Municipality	Action	Status	Source(s)
State of Alaska	The Alaska State Bank Act HB 376. House Bill passed to stablish a state bank; relating to insurance, mortgage lending, securities, 02 and permanent fund dividends; and providing for an effective date.	Referred to finance committee. Act to take effect July, 1 2019	http://www.akleg.gov/basis/Journal/Pages/30?Chamber=H&Bill=HB%20376&Page=03316#3316
City of Los Angeles	Los Angeles City Council introduces motion to conduct a public banking study . The study is to evaluate the requirements, legislative barrier and relevant aspects of creating a state-chartered public bank named the “Bank of Los Angeles” . It will determine the feasibility of providing banking services for community reinvestment projects primarily through the acquisition, construction, and rehabilitation of affordable and workforce housing by utilizing deposits. It also will evaluate the feasibility of providing financial services and products to local businesses, including the cannabis industry.	On February 26, 2018 the City of Los Angeles, Office of the Chief Legal Analyst, presented a report which concludes the City should conduct a more detailed cost-benefit analysis and banking formation study	http://clkrep.lacity.org/onlinedocs/2017/17-0831_mot_07-26-2017.pdf https://publicbankla.com/images/PBLA-Letter-to-City-Council-3.22.pdf http://sftreasurer.org/sites/default/files/3-20_Municipal%20Bank%20TF%20Prep%20Materials.pdf





Who's Exploring Public Banking

State/ Municipality	Action	Status	Source
City of San Francisco	City and County of San Francisco Treasurer José Cisneros convened a Municipal Bank Feasibility Task Force. The task force is investigating the potential costs and benefits of a municipal bank as well as other opportunities to leverage the City's banking and investment practices to support community objectives.	Task force presented report providing banking operations models & cost estimates on April 19, 2018	http://sftreasurer.org/sites/default/files/Public%20Banking%20Lit%20Review%20for%20TF%20Members.pdf http://sftreasurer.org/sites/default/files/4-19%20Municipal%20Bank%20TF%20Presentation%20Materials.pdf
State of Michigan	State of Michigan Legislature introduces HB No. 5432 . The State proposes to regulate the disposition of surplus state funds, inclusive of authorizing the state to lend surplus funds pursuant to loan agreements secured by certain commercial, agricultural, or industrial real and personal property. It also authorizes the use of surplus funds for loans to certain municipalities and agencies.	Bill pending in committee	http://www.legislature.mi.gov/(S(Okudvhgtgigse2iff1paq4pd))/mileg.aspx?page=GetObject&objectname=2018-HB-5432





Who's Exploring Public Banking

State/ Municipality	Action	Status	Source
State of New Jersey	NJ State Senate introduces the State Bank of New Jersey Act No. 885. The Bill authorizes the creation of a board of directors to oversee the bank. It also authorizes the State Treasurer to deposit State moneys in the bank. The mission of the State Bank of New Jersey is to promote small businesses, fair educational lending, housing, infrastructure improvements, community development, economic development, commerce, and industry in New Jersey. In this role, the bank shall act as a funding resource in partnership with other financial institutions, economic development groups, and guaranty agencies.	Referred to Senate Commerce Committee	http://www.njleg.state.nj.us/2018/Bills/S1000/885_11.PDF
State of New York	NY State Senate introduces Bill No. S3172 Establishes the New York State Commission on Establishing a Bank Owned by New York State. The Commission is to conduct a study to evaluate the feasibility of forming a public bank owned by the State of New York. The Governor shall designate one of his or her appointees as the chair of the Commission.	In committee	https://www.nysenate.gov/legislation/bills/2017/s3172/amendment/original





Conclusion

Thank You for attending this public meeting.

For more information regarding the District's Public Banking initiatives please visit

<https://disb.dc.gov/page/public-banking-district>

