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Memo to: Public Banking Study

From: Kate Rader and Claudette Sortino

Subject: Interview with Catherine Benham, Steve Klein, and Sara Teachout, State of Vermont Joint Fiscal Office

Because so much of the literature on public banks is favorable, we spoke with members of the JFO to learn what reservations these staffers had about establishing such a bank in Vermont.

The first steps to establishing a state bank are to make projections of capital needs and sources, and determine which functions to move from existing structures (VEDA, VSAC, VHCB, Municipal Bond Bank,...) to the state bank, and how the bank would be staffed.

Downsides:

Might presumed interest revenues go to management cost?

How can the bank be insulated until the profits are there, which could take up to 20 years?

One means of establishing a central bank is to merge state offices (above) which already perform bank-like functions, though to specific purposes. There are political obstacles to taking over these specialized individual "turfs." Can these existing entities do what a state bank would do?

Benham commented that state bonds must still be sold on "Wall Street," and in today's interrelated national and international financial market, it's difficult to be separated from that larger market, as many proponents consider an argument in favor of a state bank.

Klein conceded that a state bank would provide the benefit of keeping our money at home. However, he asked if there are other ways to accomplish this goal.

There are questions about how to integrate credit unions into a public system, and who would process checks, a service that big banks now do for us.

The group made valuable suggestions for other sources to go to, who might raise or answer other questions and complications that will have to be addressed to accomplish a public bank:

- Vermont Bankers Association
- Small banks
- State Treasurer's office
- Bank of North Dakota
- State Department of Financial Regulation