



Vermonters for a New Economy

Frequently Asked Questions about a Public Bank

Who benefits from a Public Bank?

Vermonters from all walks of life will benefit from a public bank. This includes:

- **Students**, who can access low interest education loans from the bank. Since Vermont would control it, we could also offer flexible repayment terms for people who go into public service and education, so our young people are not saddled with unreasonable debt.
- **Homeowners**, who could get mortgages and home loans from the bank.
- **Entrepreneurs** – they'll have access to credit lines, loans, and other forms of finance to help their businesses succeed.
- **Municipalities** – the bank can offer competitive interest on public deposits and lower cost financing for public works. This will make public project by the State of Vermont lower cost as well.
- **Taxpayers**, who will benefit from both the profits the bank makes and the services the bank offers.

What is the difference between a public bank and any other bank?

A Public Bank is owned by the State of Vermont. That means that the money it makes by making loans comes back to the people of Vermont, rather than to private banks and investors. It has many of the same privileges as the private banks, however, in that it can use the fractional reserve system to multiply the value of its deposits through loans to students, homeowners, municipalities, and enterprises.

Will a Public Bank compete with Vermont banks?

A Public Bank does not compete with Vermont banks. It does not accept deposits from individuals, organizations, and businesses – only from the state and municipal governments. For Vermont chartered banks, it can also serve as a support system, allowing them to make loans and take deposits that normally would be out of their reach because of their small size.

Why are banks opposed to a Public Bank?

The banks that don't like the idea of a public bank typically are the large national and international banks that currently accept the deposits of our state and municipal governments and invest them in out of state projects like – in the case of TD BankNorth – the XL Pipeline and the tar sands up in Canada. TD stands for Toronto Dominion – they currently are the depository for over 50% of our state tax dollars.



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Won't this require yet another large expenditure by the State of Vermont to capitalize the bank?

No. The State of Vermont has capital in many forms, including property, land, reserve funds, and other capital funds that are more than adequate to serve as the capital for a bank. It may require restructuring some of the state's financial assets, but there should be no need to raise additional money from taxes to provide the capital for the bank.

What is the problem a public bank is trying to solve? What are the unmet capital needs in Vermont?

Right now, the state sends over \$80 million dollars a year to banks and investors to pay the interest on bonds we have issued for state infrastructure. If you add up the money the towns collectively send to banks and investors for the same purposes, it is a lot of money. Meanwhile we're cutting programs that benefit low income Vermonters to close the "budget gaps" we hear about every year, we have a new health care plan that needs a large source of funds, and many unmet needs for roads, bridges, public transit, energy, housing, education, and telecommunications. If the interest payments on infrastructure, housing, economic development, and student loans were going to the public sector instead, we would have lower taxes and more funds available for needed improvements.

Can't the state deposit their money in a credit union? Wouldn't that be the same thing?

Credit Unions make Vermont economically strong, because the benefits and profits from the credit unions go to their members, rather than out of state investors. The banks got legislation passed that prohibits the state from depositing our tax dollars in credit unions, however. So that would need to be changed first. The other advantage of a public bank is that the benefits go to the public – all of the residents and taxpayers of Vermont, not just the members of a single credit union.

What if the state used our tax dollars for the lending programs we have?

This past year, the State Treasurer made a \$10 million transfer directly to the Vermont Economic Development Authority for commercial energy lending, and to the Vermont Housing Finance Agency and Neighborworks for residential energy lending. This was a very good step to take to keep more of our money working for us in Vermont. It doesn't have all the advantages of a public bank, however, which could leverage all of our deposits to help Vermonters and could use the fractional reserve system to multiply the economic benefits that accrue to private banks in our system.

What needs to be done to establish a Public Bank in Vermont?

The legislature needs to act. They would consolidate the public lending institutions we have already – the Vermont Economic Development Authority (VEDA), the Vermont Housing Finance Agency (VHFA), the Vermont Student Assistance Corporation (VSAC), and the Vermont Municipal Bond Bank into one entity, grant it a bank license, and indicate how the state's assets will capitalize the bank. It's an act of the legislature that is needed – not lots of new money or energy or resources.