



Banking on NEW MEXICO

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City Council OKs \$50K contract for study on public bank

By Daniel J. Chacón

The Santa Fe New Mexican | Posted: Wednesday, January 28, 2015 10:30 pm | Updated: 10:56 pm, Wed Jan 28, 2015.

http://www.santafenewmexican.com/news/local_news/city-council-oks-k-contract-for-study-on-public-bank/article_0006287b-36b5-516c-b9e9-bb25ff2ef366.html

The City Council approved a \$50,000 contract Wednesday with a local firm that will investigate the business, financial and economic feasibility of a public bank in Santa Fe.

The council voted 5-2 in support of the contract with Building Solutions LLC.

Councilors Bill Dimas and Ron Trujillo cast the dissenting votes. Trujillo questioned the spending, saying he was getting tired of the city “spending all this taxpayer money on studies” that conclude that more money will be needed.

Mayor Javier Gonzales, a regent at New Mexico State University in Las Cruces, recused himself since Building Solutions will work on the feasibility study with the Arrowhead Center, a consulting arm of NMSU. Gonzales’ term as a regent ends Friday.

“What’s a little tough on this is that I have been an advocate for us pursuing this next level of study when it comes to a public bank, knowing the important role that it could play in our economy and helping small businesses,” Gonzales said. “But we’ve gotten to a point here in this process that there is a conflict.”

In other business, the council approved a resolution calling for the city manager to arrange a meeting with Santa Fe County commissioners to discuss a jointly owned electric utility. The item passed on consent without any discussion. Trujillo said he meant to pull the item from the consent agenda so he could voice his opposition, but it slipped by. When he asked his colleagues to pull it for discussion, his colleagues voted him down 5-3. Only Dimas and Councilor Signe Lindell supported Trujillo, who said the resolution was going to pass anyway. Councilor Patti Bushee was absent.

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### Council to consider \$50K public banking study

By Daniel J. Chacón

The Santa Fe New Mexican | Posted: Tuesday, January 27, 2015 3:34 pm

[http://www.santafenewmexican.com/news/blogs/local\\_news/council-to-consider-k-public-banking-study/article\\_a2c3e27e-a674-11e4-a3f9-17bb29bf84b0.html?mode=print](http://www.santafenewmexican.com/news/blogs/local_news/council-to-consider-k-public-banking-study/article_a2c3e27e-a674-11e4-a3f9-17bb29bf84b0.html?mode=print)

The City Council will decide Wednesday whether to spend \$50,000 to conduct a feasibility study on a public bank in Santa Fe.

Under a proposed contract with Building Solutions LLC, the firm would investigate the business, financial and economic feasibility of a public bank in the following five phases:

**Phase 1:** Create a consensus document with the finance and economic development departments, which can be used to evaluate the "free cash flow," unrestricted cash, and debt capacity and other resources that the city could dedicate to a public banking initiative.

**Phase 2:** Meet both formally and informally with potential collaborators with the city in the initiative, including the Santa Fe Community Foundation, Impact Network Santa Fe, one or more community banks and CDFIs, and others as identified by the city and/or the contractor. Prepare a presentation to the city, which outlines the initiatives, their history, successes, issues, and potential for contribution to the city's plans.

**Phase 3:** Develop one or more 'straw man' approaches to the investment of public funds to stimulate and fund investments which can increase the economic and financial security of the city of Santa Fe. Discuss the risk vs. reward tradeoffs encountered. Develop a set of issues to be addresses in Phase 4. If necessary reduce the scope of the 'straw man' in order to move forward with a more focused analysis.

**Phase 4:** Work with a broad array of technical experts and community members to minimize risks identified in Phase 3 and to address concerns in either the city or among community members. Develop a report that clearly identifies the risks and mitigants of the chosen strategy, as well as follow-up work which must be accomplished to implement the strategy. The contractor shall provide a written report on the strategy, including, if possible, interim steps that might pave the way for the longer term strategy implementation. However, implementing the recommended strategy isn't part of the contractor's scope of work.

**Phase 5:** Engage Arrowhead Center in the review of the economic impact anticipated from the chosen strategy. If more than one strategy is still under consideration, Arrowhead shall try to include its opinion on how the alternatives might affect the economic and/or fiscal impact of the city.

Santa Fe-based Building Solutions partnered with the Arrowhead Center of New Mexico State University -- which is Mayor Javier Gonzales' alma mater -- to conduct the study.

Isaac "Ike" Pino, director of the city's public works and community services departments, serves on Arrowhead's [board of directors](#). Gonzales and Pino both recently finished terms on NMSU's board of regents.

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Public banking debate starts in Santa Fe

By Mark Oswald

The Albuquerque Journal | Posted: Friday, October 3, 2014 12:05 am | Updated: 8:51 am, Friday, October 3, 2014.

<http://www.abqjournal.com/473239/news/public-banking-debate-starts-in-santa-fe.html>

Santa Fe Mayor Javier Gonzales has put forth the first big idea of his administration – the possibility of creating a public bank in Santa Fe.

He said last week, before the start of a day-long symposium on the concept, that the city is seeking proposals to hire a consultant to help determine the feasibility of a public bank here.

“We are not going to rush into anything, but we are going to move forward in learning and understanding how to develop a bank in Santa Fe, and being honest about whether we can truly pull it off or not,” the mayor said. “That remains to be seen.”

He noted that city government’s bank these days is Wells Fargo. “They do a great job, but they also take city revenues, taxpayer dollars, and they use those dollars as part of a loan portfolio for folks outside of Santa Fe and New Mexico.”

With loans for small businesses way down since the recession, Gonzales said, “You have to pause and wonder, is this the best structure for our community?”

Exhibit A for advocates for public banking is the Bank of North Dakota, started in 1919. It now has assets of \$6.8 billion and made a profit of \$94 million in 2013. Over the past decade, it has returned \$300 million to North Dakota’s general fund.

The bank’s latest annual report trumpets programs to help expand child care services, allow consolidation of student debt, provide financing for rural mortgages and rebuilding from a flood, support the new trend toward “agri-tourism” and work with local banks on small business loans.

Chip Chippeaux, chairman of locally owned Century Bank, acknowledges that the Bank of North Dakota looks like it’s done pretty well. “It’s sort of a captive bank for the state,” he said. “Its deposits are insured by the full faith and credit of the state. It looks like they can find niches where a need has not been fulfilled.”

But Chippeaux said he’s not seeing a specific need for a public bank in New Mexico.

“It all sounds good, but they haven’t identified the problem they’re trying to solve. They talk in generics,” he said. And he said a public bank, handling public money, probably wouldn’t take more risk than local community banks already do. “I assume if it was public money, they would want to go through the same evaluation,” he said.

Chippeaux said that New Mexico has financial agencies – like the New Mexico Finance Authority and the state Mortgage Finance Authority – that plug some of the gaps. And there are “banker’s banks” from other states that take on portions of loans over what community banks can afford.

Chippeaux said he gets the idea about keeping Santa Fe money local and away from Wall Street banks – his Century Bank is a community bank, after all. “Doing business local, within the community, the money moves around town, I agree with that,” he said.

“But the cost of putting together a bank is not inconsequential,” Chippeaux said. He also warned against “social engineering” with the banking system, saying Congress’s push to make home loans easier to get helped cause the recessionary problems of Freddie Mac and Fanny Mae.

High hopes

The mayor’s goals in considering the public bank option are in fact lofty.

“The mission is a resource and mechanism by which we can assure that every person in Santa Fe can reach their full potential,” Gonzales said. “It’s not just going to be about small business.”

He said that a public bank could help build “social infrastructure” by financing broadband technology, early childhood education programs or expanded and improved health care services.

“Banks are in the business of generating profits for shareholders,” Gonzales said. “Public banks would be in the business of generating value and enrichment for citizens of the community who are investors in the bank just by the nature of their presence. That’s a fundamental shift in how we think about capital and the use of capital.”

Some of the profits, he said, “can be reinvested into a social issue.”

If there’s a philosopher behind the public bank idea, it’s Santa Fe’s Craig Barnes, whose background includes working as a civil rights lawyer, international negotiations on nuclear weapons and ethnic cleansing, and opining as a commentator on local public radio. He’s founder of WeArePeopleHere!, which, as its website says, is a response to “the rise of plutocracy and the role international banks play in it.”

Barnes said at last week’s event with the mayor that the mission of a public bank is to take on “the financial engine of capitalism to use it for the benefit of the local region.” He said there is no reason for “having the money that taxpayers put into the coffers of the city of Santa Fe go to some global bank that invests in the copper mines in Kenya or water-stealing in Ecuador.”

“We can take on the responsibility for our own lives, our community, our own objectives,” Barnes said.

Barnes said a public Santa Fe bank might never take individual deposits and could be capitalized by taxes, fees or revenue bonds issued by the city.

German experience

Also speaking last week was Thomas Keidel, director of financial market relations for Germany’s association of savings banks, which are public banks that, as Keidel put it, “haven’t got any owners – they’re not state-owned and they’re also not privately owned They belong to the community.”

They’ve been around for 200 years; there are 417 now and even smaller cities have them. Volkswagen got its initial financing from a savings bank and continues to keep its account there. “It’s not a miracle,” Keidel said of public banking. “You’re not inventing something new.”

He also said the savings banks are the biggest taxpayer in Germany, but the euros don’t go to Berlin. “They go to the region or town.”

Communist?

Keidel may have put his finger on the politics of public banking when said he was giving a presentation in New York, and someone got up and shouted that he was “the last Communist.”

Gonzales seemed to address that perception when he said Santa Fe “has been down this road before” when the City Council implemented the “living wage” ordinance in 2004 that now has the local minimum wage at \$10.66 an hour.

“We were told you can’t do this, it’s going to hurt the local economy, this should be left to the federal government,” he said. Santa Fe was “courageous” then and he expects similar arguments against a public bank, Gonzales said.

Barnes said that for Santa Fe to begin a conversation about public banking is “a huge deal.”

That’s one point probably all sides can agree on.

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## **Public bank advocates gain advice from experts**

By Ed Moreno

For The Santa Fe New Mexican | Posted: Saturday, September 27, 2014 10:00 pm

[http://www.santafenewmexican.com/news/business/public-bank-advocates-gain-advice-from-experts/article\\_2885a05e-708b-5710-9368-65f59429ca2b.html](http://www.santafenewmexican.com/news/business/public-bank-advocates-gain-advice-from-experts/article_2885a05e-708b-5710-9368-65f59429ca2b.html)

The path to establish a publicly owned bank will be scattered with legal and political obstacles, but scores of citizens, public officials and public finance experts gathered in Santa Fe on Saturday to make the case that it can, and should, be done.

The spirited gathering, organized by “We Are People Here,” brought local, national and international perspectives on why it is necessary to try to establish publicly owned and operated banks that serve local communities, and not the “plutocracy” that controls the nation’s wealth, the event’s organizer said.

“We are gathered here because we recognize to the degree greater than in any time in the last 40 years that we are on our own,” said Craig Barnes, the founder of the organization. He cited the concentration of wealth and power and said “the life’s blood is being sucked away from our local communities.”

“We’re not here to blame, we’re not here to complain. We’re here to get up off our knees, because it’s in our nature as Americans to be on our feet,” he said.

Santa Fe Mayor Javier Gonzales has thrown his support behind the effort, while repeatedly reminding Santa Feans that the effort will take a lot of time to achieve its goal. The city has issued a request for qualifications for entities to assist the city in its deliberations on the establishment of a city bank.

“My own family business, KSWV, ‘Que Suave’ radio, has been for years trying to expand and purchase new equipment and improve our signal,” Gonzales said. “So what’s out there now isn’t working. I believe we have to get creative about financial solutions, and the public bank is a big piece in that conversation, and which is why we are here today.”

State Rep. Brian Egolf said he was inspired to introduce the first public bank bill in 2010, while watching a Christmas-themed video of a congressional hearing on big-bank practices, interspersed with scenes of *It’s a Wonderful Life*, the Christmas classic movie, in which George Bailey’s friends save his business. The video culminated in a question: “Whose side do you want to be on, George Bailey or Mr. Potter?”

George Bailey kept the bank, but Egolf’s bill did not pass in the following legislative session. Regulations were later adopted, however, to allow about \$1.5 billion of state funds to be used for community projects in the state. He added that New Mexico’s permanent funds are the third largest in the world.

The symposium brought national experts to discuss various forms of public banking, to share experiences in Pennsylvania, Vermont, and the only state in the U.S. with a state-operated bank, North Dakota. The panel also included the director of the German Savings Banks Association, which has operated public banks for more than two centuries.

A state-operated bank is one that has a designated funding stream to be deposited into the bank. The funds are loaned out for specified purposes, depending on how the law creating the bank is written. Because each state is unique, with unique constitutions and laws, it would be difficult to simply import another state's public bank.

The Bank of North Dakota, the only state bank with a public purpose, was created in 1919 and has been using its funds to support local and statewide needs. It operates more like a central bank, supporting commercial banks with partnerships and other activities.

In New Mexico, the situation is mixed, as it is in most states, and each state has to find its own best path, said Gwendolyn Hallsmith, the executive director of the Public Banking Institute. She has been working to establish a state bank in her home state of Vermont.

David Buchholtz, a leading finance attorney based in Albuquerque, who is serving as pro-bono counsel to We Are People Here, outlined some of the steps that would be most effective in New Mexico:

“Developing good policy, identifying legal issues [that] will arise ... identify solutions and bring those issues that might be acceptable under the law, but then ultimately have elected officials look to the attorney general to say, here are some questions, and [we] would like your consideration for these issues.”

Buchholtz said he is confident that there are enough elected officials in New Mexico — the only people who can request an attorney general's opinion — who would be interested in seeking an opinion on the issue.

“There is not enough in the legislative, judicial, constitutional experience for any good lawyer to say with confidence, ‘Let's just do this,’ ” he said. “But I think there is enough for good lawyers to say, ‘here are the strengths of these arguments; can we get some sense from the government's lawyers.’ ”

Buchholtz said he has not identified any significant roadblocks to establishment of a public bank, and others noted that New Mexico has at least one logical vehicle for the establishment of a state-bank prototype through the New Mexico Finance Authority. Another potential would be through the use of the state's permanent funds.

The Finance Authority operates the public project revolving fund in the state's accounts. It receives money from borrowing through bonds, the portion of the Governmental Gross Receipts Tax, which is paid on such items as the tax levied on a water bill, and returns of funds that were previously loaned.

While the possibility of a public bank exists for the state, Buchholtz said it would be harder for a municipality to start up a city-owned bank, because of the need to enact or divert a funding source to provide initial capital to operate the bank.

The event ended with a post-dinner musical satire, a keynote address by Richard Wolff, professor of economics emeritus at University of Massachusetts, Amherst, and a call to action to address money, credit and sustainability by Ellen Brown, founder of the Public Banking Institute.

## City moving forward with study on public bank

By Daniel J. Chacón

The Santa Fe New Mexican | Posted: Tuesday, August 12, 2014 8:00 pm

[http://www.santafenewmexican.com/news/local\\_news/city-moving-forward-with-study-on-public-bank/article\\_a52f74cc-d955-5296-9bb5-d23f36fbf8b9.html](http://www.santafenewmexican.com/news/local_news/city-moving-forward-with-study-on-public-bank/article_a52f74cc-d955-5296-9bb5-d23f36fbf8b9.html)

The idea of creating a public bank in Santa Fe is gaining traction.

The city is seeking someone qualified to study the feasibility of establishing a publicly owned bank that would help finance public projects, provide better returns on taxpayer investments and reduce the risk of public funds in existing financial markets.

The deadline for interested parties to submit their qualifications is September, the same month that the Public Banking Institute and a citizen-led group pushing the idea will host a national symposium on the topic in Santa Fe.

“We are expecting some 900 people from across the country to see if we can pull off a public bank in Santa Fe,” Janiece Jonson, a member of WeArePeopleHere!, which is advocating the idea, said via email.

“In New Mexico, one of the poorest states, the establishment of public banks could be a game-changer for local economies and a score in the battle against plutocracy, starting in Santa Fe,” she said.

The symposium is scheduled from 9:30 a.m. to 9:30 p.m. Sept. 27 at the Santa Fe Community Convention Center. Tickets are \$40, or \$10 for students. For more information or to buy tickets, go to [bankingonnewmexico.org](http://bankingonnewmexico.org).

The symposium follows an invitation-only meeting in June that Mayor Javier Gonzales organized to introduce city councilors and others to the concept of public banking. When he was running for mayor, Gonzales talked about public banking on the campaign trail and how it could leverage government assets to stimulate community investment.

Kate Noble, acting director of the city’s Housing and Community Development Department, said the request for qualifications for the feasibility study was issued Thursday. Respondents must provide in-depth answers to a handful of questions, including how a public bank could be executed and what “broad steps” would be involved. “We don’t know what we’re going to get,” Noble said. “We have to keep learning and looking and understanding how something like a public bank might layer onto the community of Santa Fe.”

In its request for qualifications, the city said it wants a “preliminary comparison” on the city’s current financial model, specifically the benefits and risks of current banking and financing practices in Santa Fe, and other models in the U.S., including public banks.

City documents state, “Any analysis should take into account the financial and population demographics of the City of Santa Fe. It should also include measurable factors of city banking which include, but is not limited to, debt servicing costs, profits returned to the City, municipal and other tax revenue, and other key areas of economic concern.”

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## Mayor wants to study possibility of launching public bank

By Daniel J. Chacón

The Santa Fe New Mexican | Posted: Tuesday, June 10, 2014 9:00 pm

[http://www.santafenewmexican.com/news/local\\_news/mayor-wants-to-study-possibility-of-launching-public-bank/article\\_36de12a4-a478-512d-bbc8-6d26b842f6e9.html](http://www.santafenewmexican.com/news/local_news/mayor-wants-to-study-possibility-of-launching-public-bank/article_36de12a4-a478-512d-bbc8-6d26b842f6e9.html)

Mayor Javier Gonzales wants to study the feasibility of creating a public bank in Santa Fe to grow the local economy by keeping taxpayer money in the city.

Gonzales, who talked about the idea on the campaign trail, organized a presentation Tuesday for city councilors and others to understand the basics of public banking, which leverages a government's assets to stimulate investment in the community. Examples of public banking include offering low-interest loans to local businesses or low-cost financing for public projects, such as housing and infrastructure.

After the presentation Tuesday by the Public Banking Institute, Gonzales said he wants the city to issue a request for qualifications to conduct a feasibility study over the summer. The results of that study could be available before a public symposium on public banking that's scheduled in Santa Fe in September.

"This is going to be a very slow, long, methodical process," Gonzales said. "No one is going to rush into creating a public bank, and we're going to make sure that the public fully understands and supports it before it even gets to that type of decision-making process."

While public banks exist in other parts of the world, the only public bank in this country is the nearly century-old Bank of North Dakota, though there are efforts to create more public banks in the U.S.

"It's not an easy idea to implement," said Gwen Hallsmith, executive director of the Public Banking Institute. Hallsmith, one of the presenters Tuesday, said the state of Vermont, where she lives, has taken "several steps" toward a state-owned bank, though it hasn't obtained a banking license.

"We have an administration that's relatively open to it," she said. "They're a little nervous about the banking part because the bankers are so opposed to it. That's another reason that it hasn't happened. Big banks push back. They're powerful. People are afraid of powerful entities."

Hallsmith said public banks don't compete with private banks at the state or local level. Public banks actually serve as a backstop for smaller banks, she said.

"They are competition for the big banks, the too-big-to-fail banks, because those tend to be the banks that get the public deposits," Hallsmith said during Tuesday's presentation. "But the smaller banks that are doing economic development, they actually help them and support them."

Gonzales said he heard about public banking early in the campaign season from Craig Barnes, founder of We Are People Here, a local nonprofit that believes the global banking industry is the "major root cause of much of the misery and inequality" in the world, according to the group's website.

Barnes said during Tuesday's presentation that the city of Santa Fe can't rely on others to stimulate the economy.

"The state of paralysis in the Congress is such that we're not going to get help from the federal government," he said. "We're going to have to do whatever we do on our own. We have to create the mechanisms." Gonzales said he's trying to keep all options open, even when they're unconventional.



“We need to see what public banking would mean here before we can even go to the next level,” he said, referring to the feasibility study. “And maybe at that point when it’s completed, we determine we can’t go any further. But we’ve studied it. I think the people of Santa Fe want us to look at every means possible to make sure that we’re able to grow this economy in a way that helps all families.”

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VIDEO: Mayor says public bank worth exploring in Santa Fe

<https://www.youtube.com/watch?v=7SYqV4xkFd4&feature=youtu.be>



From left to right: Nichole Lichen from We Are People Here!, Craig Barnes from We Are People Here! , Mayor Javier M. Gonzales, Gwen Hallsmith from the Public Banking Institute and Dr. Thomas Keidel, Director the the German Savings Banks.

Photo/Mayor's Office

VIDEO: Mayor says public bank worth exploring in Santa Fe

Posted: Friday, September 26, 2014 3:04 pm | Updated: 4:09 pm, Fri Sep 26, 2014.

http://www.santafenewmexican.com/news/blogs/local_news/video-mayor-says-public-bank-worth-exploring-in-santa-fe/article_a8af2a1e-45c0-11e4-a3be-0017a43b2370.html

Santa Fe will host a national public banking symposium Saturday. For more details on the symposium, click [here](#).

On Friday morning, Mayor Javier Gonzales and some of the symposium speakers spoke about the idea of public banking during a press conference at City Hall.

Gonzales kicked off the press conference by talking about how the idea gained traction in Santa Fe and why he supports further study.

Gonzales reiterated that Santa Fe is going to take a "slow, methodical approach" to understanding and determining the feasibility of a public bank.

"We are not going to rush into anything, but we are going to move forward in learning and being serious about understanding how to develop a bank in Santa Fe and being honest about whether we can truly pull it off or not," he said.

To watch video of the mayor's remarks, click [here](#).
<https://www.youtube.com/watch?v=7SYqV4xkFd4&feature=youtu.be>

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## VIDEO: Group explores public bank in Santa Fe

Posted on September 26, 2014

<https://www.youtube.com/watch?v=uUEpECsEjUI>

## **VIDEO: Public Banks**

New Mexico In Focus

Posted on September 29, 2014

<https://www.youtube.com/watch?v=Y-sINkpmzj4>

New Mexico In Focus explores public banking, banks set up and run by government entities. Public banking has been presented as a viable solution to the present economic crisis in U.S. states, capable of reducing economic impact of recessions and providing capital for local governments. Megan speaks with Gwendolyn Hallsmith, executive director of the Public Banking Institute and Santa Fe Mayor Javier Gonzales about efforts to start a public bank in New Mexico. A public banking symposium takes place Saturday, September 27 in Santa Fe.

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VIDEO: Public Banks - Web Extra

New Mexico In Focus

Posted on September 26, 2014

https://www.youtube.com/watch?v=GtYDhy1fc_g

New Mexico In Focus Producer Megan Kamerick continues her conversation on public banking, the subject of a September 27th conference in Santa Fe, with Gwendolyn Hallsmith, executive director of the Public Banking Institute, and Javier Gonzales, mayor of Santa Fe. They talk about how N. Dakota has kept its public bank free of politics and how the revenue from that bank returned \$300 million to the state's coffers.