

# A Public Bank For New Mexico



**MAKING NEW MEXICO'S MONEY  
WORK FOR NEW MEXICO.**

**PRESENTERS:**



Alliance for Local  
Economic Prosperity

# AFLEP: New Mexico's Public Bank Think Tank



**Alliance for Local Economic Prosperity (AFLEP) is a New Mexico nonprofit think tank. The Alliance promotes investment and management of public funds for local benefit. New Mexico's revenue is now largely invested in global banks outside the state, missing opportunities to invest in the needs and concerns of New Mexico communities. The public bank is a financial institution that enables a thriving State of New Mexico through expanded economic development and infrastructure enhancements.**

# We have Statewide Support



- In 2019, we presented a memorial to the New Mexico legislature supporting the idea of a public bank.
- Over nine months we developed a comprehensive public bank plan and included UNM students and professors, credit unions, community bankers, and community voices.
- We have hundreds of individual supporters from across the state who also see the benefits of a public bank.



# Our Supporters



**Credit Union  
Association**  
of NEW MEXICO



LAS CRUCES  
GREEN CHAMBER OF COMMERCE  
THINKLOCAL BUYLOCAL GIVELOCAL



More than banking, *we're family!*™

**GUADALUPE**  
CREDIT UNION

**upspring**





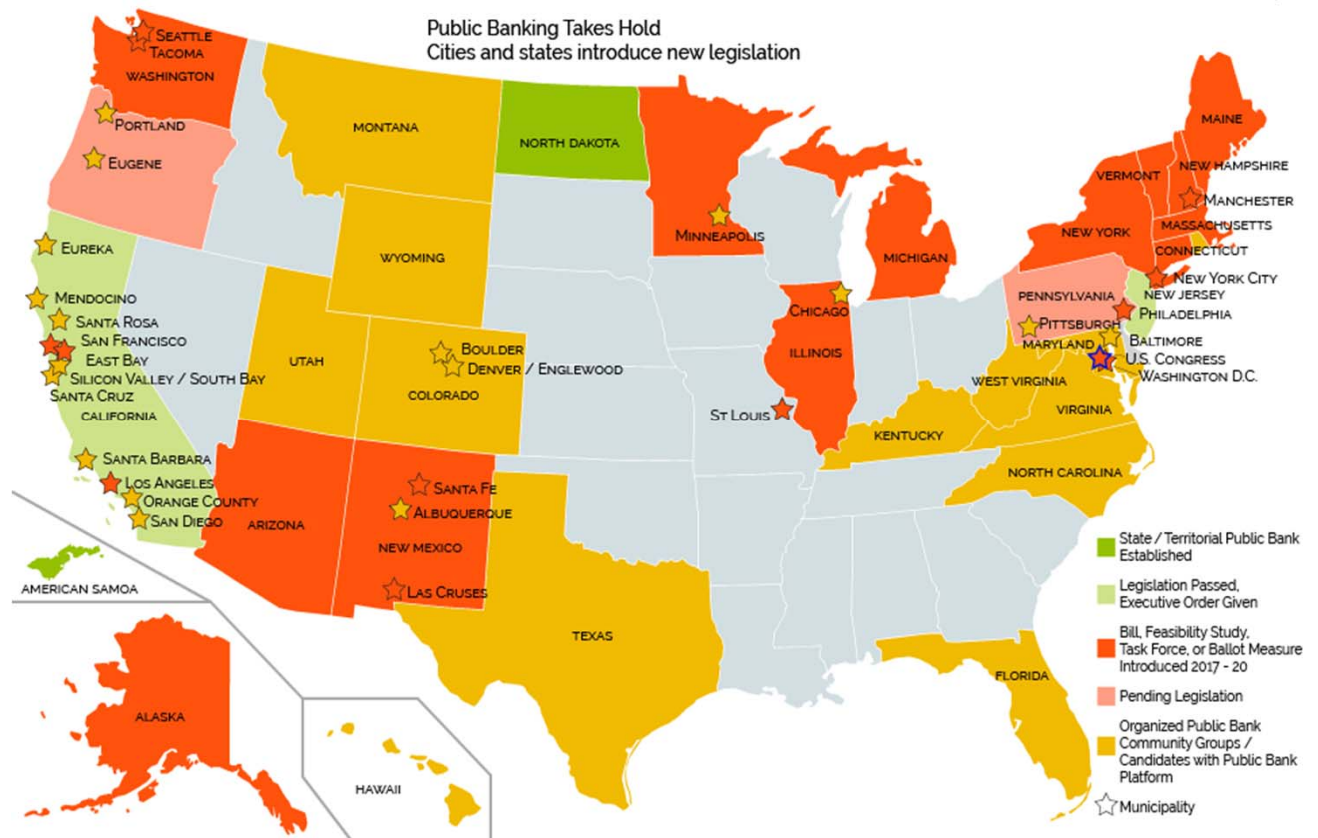
# We Are Not Alone

Across the country other states are pursuing a public bank.

California and New Jersey recently passed legislation to enable a public bank.

Pennsylvania has legislation pending.

Orange states, like New Mexico, have strong groups that are actively pursuing public banking legislation.



# In 2021 We are Introducing Legislation

- The Public Banking Act would allow the state to charter a state-owned bank.
- Jeff Steinborn (D) Las Cruces is our first sponsor of the Act.
- With your help, this will become a reality in 2021.

10/30/20

1 SENATE BILL  
2 55TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2021  
3 INTRODUCED BY  
4  
5  
6 DISCUSSION DRAFT  
7  
8  
9  
10 AN ACT  
11 RELATING TO PUBLIC FINANCE; ENACTING THE PUBLIC BANKING ACT;  
12 CREATING THE NEW MEXICO PUBLIC BANK; ESTABLISHING A BOARD OF  
13 DIRECTORS AND THE STRUCTURE OF THE NEW MEXICO PUBLIC BANK;  
14 PROVIDING DUTIES; PERMITTING CERTAIN INVESTMENTS; PROHIBITING  
15 CONFLICTS OF INTEREST; CREATING THE STATE BANKING FUND;  
16 PROVIDING FOR THE RETURN OF CERTAIN EXCESS FUNDS TO THE GENERAL  
17 FUND; REQUIRING A CERTAIN AMOUNT OF THE SEVERANCE TAX PERMANENT  
18 FUND TO BE INVESTED IN THE STATE BANKING FUND; PROVIDING  
19 PENALTIES; MAKING AN APPROPRIATION.  
20

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# What is a Public Bank?



A public bank is:

- ❖ Owned by a state, tribe, county or city
- ❖ Depository for funds and revenues, keeping them local
- ❖ Transparency required by law
- ❖ Directed to serve the public good
- ❖ Maximizes jobs, not profit
- ❖ Supports community wealth creation

# The Benefits of a Public Bank



- ❖ Keeps community owned funds (government's deposits) in the community with increased security of those funds
- ❖ Mandated to provide affordable loans to the community
- ❖ Partners with – not competitor to – community banks
- ❖ Increased revenue for the community without raising taxes
- ❖ Strengthens local economy
- ❖ Can respond quickly and effectively to local needs such as disaster relief
- ❖ Keeps credit flowing, thus supporting local businesses and creating local jobs



# What a Public Bank Does



A Public Bank invests public funds into what New Mexico needs and uses the returns to re-invest in even more projects in New Mexico, such as :

- ❖ Business startup and expansion partnership loans
- ❖ Farm Loans
- ❖ Renewable energy, energy conservation, and loans to homeowners
- ❖ Business operating capital lending
- ❖ Student loans
- ❖ Development and infrastructure loans
- ❖ PPP and CARES Act distribution and loans
- ❖ Economic development loans

# Public banks help local communities

- ❖ Help local companies keep New Mexico revenue safe, local and working
- ❖ Money is invested locally
- ❖ Saves project financing costs
- ❖ Capital comes from investments, not taxes



# It's Proven to Work

- Many countries and the state of North Dakota have public banks.
- For 101 years, the BND has returned earnings to the state of North Dakota.
- The BND has made the economy and banking healthier in North Dakota.



# How a Public Bank Works



- ❖ It is a depository for state, county, tribal and municipality funds, taxes and fee collections
- ❖ It will share earnings with the state
- ❖ It serves as a “banker’s bank” helping banks and credit unions with access to capital
- ❖ It serves as a partner to community financial institutions
- ❖ It is not a retail bank – it does not compete with community banks
- ❖ It enables local banks to compete with large Wall St. banks
- ❖ It supports the health and growth of the New Mexico banking system

# How New Mexico Would Start It



The bank would be capitalized with money we already have.

## First Year Assumptions

- Capitalization: \$50,000,000
- Beginning State Deposits: \$50,000,000 – increased annually based on projected loan demand.
- Loan Demand: \$44,000,000 – increases annually.
- Reserve for Loan Loss: 2% for agricultural and commercial loans; 4% for administered loans: \$1,000,000
- Distribution of Net Income: To the State of New Mexico: 50%
- To Retained Earnings for future loans: 50%

# Some Loan Types the Bank Could Offer



We estimate first year demand for loans in New Mexico is \$44 million, increasing to \$252 million by year five. Those loans could finance:

- Infrastructure (in lieu of bonds)
- Beginning entrepreneur programs
- Small business development
- Equipment and inventory loans
- Product processing, packaging and distribution
- Agriculture
- Working capital lines
- Disaster (including PPP and CARES Act funds)
- Assist in distributing funds locally

# Loan Types the Bank Could Offer on Tribal Lands



We estimate first year demand for loans in New Mexico is \$44 million, increasing to \$252 million by year five.

Those loans could finance:

**Key concern: Lower-cost loans for small businesses.**

- Infrastructure (in lieu of bonds)
- Beginning entrepreneur programs
- Small business development
- Equipment and inventory loans
- Product processing, packaging and distribution
- Agriculture
- Working capital lines
- Disaster (including PPP and CARES Act funds)
- Assist in distributing funds locally

# The Net Effects



- **Increased small business lending**
- **Job creation**
- **Shares earnings with the state**
- **Enables New Mexico to think about funding big projects in new ways**



# How it is Governed



- 12 board members selected by a citizens nominating committee appointed by the Governor
  - Board members choose the CEO of the bank
  - Board members direct lending programs
  - Economic targets would be decided by legislation
- 
- Today, BND has 181 staff, managing assets of \$7.02 billion

# A New Mexico Public Bank Will



- ❖ Invests where Wall Street banks won't, and community banks wish they could
- ❖ Supports community financial institutions through loan partnering
- ❖ Stronger local economies increased tax and fee revenue to the state, without raising taxes
- ❖ It will keep taxpayers' money in New Mexico, working for New Mexico
- ❖ It will finance public works infrastructure and economic development funds.
- ❖ It will support innovation and economic development in new areas like the green economy to create jobs.
- ❖ It's smart government, and smart use of taxpayers' money to invest in ourselves.
- ❖ It will build our state's financing capacity over time to create a huge resource for future generations

# Thank You



- We appreciate your time and your interest in public banking.
- Please visit us at [AFLEP.org](http://AFLEP.org) to learn more
- You can contact us at [info@aflep.org](mailto:info@aflep.org)
- Angela Merkert, Executive Director: 505-603-8400
- Any Questions?



Alliance for Local  
Economic Prosperity

# Financial Information



	A	B	C	D	E	F	G	H	I
1	Estimated Income			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
2									
3	Total Interest Income			\$4,522,000	4,551,907	4,911,874	5,508,887	6,154,413	6,641,120
4	Total Interest Expense			200,000	400,000	720,000	1,152,000	1,612,800	1,935,350
5	Net Interest Income			4,322,000	4,151,907	4,191,874	4,356,387	4,541,613	4,705,760
6	Interest Rate Spread			4%	3%	2%	2%	2%	2%
7	Non Interest Revenue			388,440	644,320	969,334	1,323,852	1,626,620	1,884,851
8	Total Net Revenue			4,710,440	4,796,227	5,161,208	5,680,739	6,168,233	6,590,611
9	Allowance Provision			1,000,000	1,000,000	1,100,000	1,265,000	1,454,750	1,672,963
10	Non-interest Expenses			3,038,500	3,129,655	3,223,545	3,320,251	3,419,859	3,522,454
11	Depreciation			35,328	71,300	110,000	152,615	198,070	248,306
12	Goodwill Implament			0	0	0	0	0	0
13	Earnings Before Tax (EBT)			636,612	595,272	727,564	942,874	1,094,748	1,146,888

# Balance Sheet



	A	B	C	D	E	F	G	H	I	J	K
1	Balance Sheet (est)				Forecast						
2					Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
3	Property, Plant & Equipment				1,000,000	1,671,238	2,319,372	2,983,544	3,883,040	4,409,399	5,149,685
4	Cash				4,000,000	9,903,374	42,188,472	95,984,973	149,645,378	160,227,741	126,652,693
5	Available for Sale Securities				50,000,000	50,000,000	50,000,000	50,000,000	60,000,000	50,000,000	50,000,000
6	Trading Assets/Other Securities				1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
7	New Agricultural Loans				20,000,000	20,000,000	22,000,000	25,300,000	29,095,000	33,459,250	38,478,138
8	New Commercial Loans				20,000,000	20,000,000	22,000,000	25,300,000	29,095,000	33,459,250	38,478,138
9	New Adminstered Loans				5,000,000	5,000,000	5,500,000	6,325,000	7,276,750	8,364,813	9,619,534
10	Other				0	0	0	0	0	0	0
11	<b>Total Gross Loans</b>				45,000,000	89,220	137,160,000	191,667,000	253,726,050	324,459,958	405,201,451
12	Loans as a % of Deposits				90%	69	76	67	63	67	76
13	Loan Losses Allowance				x	x	x	x	x	x	x
14	<b>Total Net Loans</b>				44,000,000	88,000,000	135,720,000	189,985,000	251,785,750	322,189,613	402,553,054
15	Goodwill				0%	0	0	0	0	0	0
16	Other Assets				100,000	102,000	104,040	106,121	108,243	110,408	112,616
17	<b>Total Assets</b>				100,100,000	150,736,612	231,331,884	340,059,538	456,202,412	537,937,160	587,468,049
18	Risk Weighted Assets				17,060,000	17,133,058	18,593,272	21,000,770	23,686,052	26,261,294	28,783,473

# Projected Results Through 2026



Year (Dec. 31)	2022	2023	2024	2025	2026
<b>ASSETS</b>					
Cash	\$ 4,000,000	\$ 9,963,374	\$ 42,188,472	\$ 95,984,873	\$ 149,645,378
Net Loans	\$ 44,000,000	\$ 88,000,000	\$ 135,720,000	\$ 189,985,000	\$ 251,765,750
Securities	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
Fixed	\$ 1,000,000	\$ 1,671,238	\$ 2,319,372	\$ 2,983,544	\$ 3,683,040
All other	\$ 1,100,000	\$ 1,102,000	\$ 1,104,040	\$ 1,106,121	\$ 1,108,243
<b>Total Assets</b>	<b>100,100,000</b>	<b>150,736,612</b>	<b>231,331,884</b>	<b>340,059,538</b>	<b>456,202,412</b>
<b>Risk Rated Assets</b>	\$ 17,060,000	\$ 17,133,058	\$ 18,593,272	\$ 21,000,770	\$ 23,686,052
<b>LIABILITIES</b>					
Deposits	\$ 50,000,000	\$ 100,000,000	\$ 180,000,000	\$ 288,000,000	\$ 403,200,000
Equity	\$ 50,100,000	\$ 50,736,612	\$ 51,331,884	\$ 52,059,538	\$ 53,002,412
<b>Total L + E</b>	<b>\$100,100,000</b>	<b>150,736,612</b>	<b>231,331,884</b>	<b>340,059,538</b>	<b>456,202,412</b>

# Proposed Internal Bank Structure

