



Alliance for Local Economic Prosperity

Keeping Our Public Funds Safe, Local and Working

Local Economic Prosperity through Public Banking *to Keep Our Public Funds Safe, Local and Working*

OPPORTUNITY

The Governor and Legislators identify economic development as a *priority issue* for the state. Supporting this priority issue will require an economic development *investment strategy*. New Mexico's local entrepreneurial communities will be supported by incentives to generate new enterprises and to expand existing ones.

There is an opportunity in the current revenue flow to *invest* these state funds strategically, using them to leverage private and philanthropic capital into local economic opportunities for future growth and benefit.

A STRATEGY TO INVEST IN ECONOMIC DEVELOPMENT

Create a state public bank that returns public funds from Wall Street to invest in New Mexico.

In partnership with locally owned community banks, credit unions and CDFI's (Community Development Financial Institutions), financing for public projects and local private enterprise is then possible. State and local economic development objectives become the focus of public bank support.

Investing in the creation of a New Mexico Public Bank will ensure use of revenue from taxes, fines and fees for ongoing local economic development. How a public bank makes this possible will be described below. First, consider several structural causes of New Mexico's need for economic enhancement. Those issues help define the objectives of an economic development investment strategy.

WHY AN ECONOMIC DEVELOPMENT STRATEGY?

The Alliance for Local Economic Prosperity (AFLEP) suggests that there are three key structural causes of New Mexico's low ranking among the 50 States on multiple indicators:

- 1) The increasing gap between the very wealthy and middle and-lower- income citizens, characterized as a significant loss of social and economic equity;
- 2) The increasing financial burden on local governments to serve citizens that is caused by dependence on diminishing local revenues relative to costs of needed services. This need

competes with investment to develop local potential (e.g. educational innovation, infrastructure, social, cultural and ecosystem regeneration and more). More investment in local development could increase revenues and reduce some costs of services;

- 3) The export of local savings and investment and large-scale deposits of government funds in the global banking system (banks too big to fail) feeds global corporate expansion for profit gains. This results in a serious diminishing of **local** economic, natural and human capabilities, as well as community wellbeing.

Also, with the State of New Mexico's disproportionate reliance on oil and gas generated revenues, its fiscal stability is continually challenged by the volatile global oil and gas market.

OPPORTUNITIES FOR NEW MEXICO ECONOMIC DEVELOPMENT

- Diversify New Mexico's economy away from its current unstable reliance on volatile oil and gas revenues and employment;
- Increase the number of locally owned businesses that serve established, local demand. This could include producing goods and services that are currently imported – thus increasing local employment, vocational capabilities and future career advancement;
- Accelerate development of New Mexico's clean energy resources (solar, wind, geothermal);
- Establish a value adding relationship between rural and urban economies via expansion of supply chain systems (e.g. agriculture and ranching sectors need grain mills, slaughterhouses and packaging facilities; finance sector needs more community banks);
- Improve hard and soft infrastructure while enhancing economic development opportunities and economic stimulation. Projects could include roads, bridges, appropriate intra- and inter-state clean energy transmission lines, access to high quality broadband internet service, electric vehicle charging stations, convenient public transit systems, solar powered water recycling systems, small business entrepreneurial support, workforce training to support economic development strategies, metrics and tracking tools to refine economic development strategy;
- Ensure safe, affordable rural and urban housing;
- Recycle local dollars into further local economic development investment.

Examples of Public Banks

The highly successful **Bank of North Dakota** has been owned and operated for the benefit of the people of North Dakota for 100 years. The Associated Press reports that in 2017 the Bank of North Dakota (BND) recorded its 14th consecutive year of record profits, with \$145 million in net earnings. BND has helped North Dakota maintain a low unemployment rate, state government budget surpluses, a robust network of community banks, and high credit availability even during economic crises. North Dakota had the

lowest unemployment rate of any state during the 2008 Recession, in part due to economic support to local businesses and farmers through its public bank.

In the United States, public bank initiatives are underway in more than twenty-three government entities, especially cities and states.

The **Sparkassen Savings Banks** in Germany have supported thriving communities for more than 200 years.

Public banks worldwide hold 40% of public funds (taxes, fees and fines).

BANK OF NORTH DAKOTA ENERGIZES ECONOMIC DEVELOPMENT

North Dakota's economy and the State government's revenue stream are heavily reliant on agriculture and oil and gas production. As in New Mexico, the revenue and employment volatility such undiversified reliance creates has caused the State of North Dakota to adopt an economic diversification strategy in cooperation with its public bank. The bank works with local community banks, credit unions, chambers of commerce and the State Economic Development and Commerce Departments to implement the State's diversification strategy. This is a model worth reviewing as New Mexico develops its strategic systems to generate beneficial economic development. www.bnd.org

TOWARD LOCAL ECONOMIC PROSPERITY THROUGH PUBLIC BANKING

The AFLEP statewide campaign will educate and advocate for a New Mexico public bank. The public bank is a tool for keeping our revenues Safe, Local and Working. Members are engaged in meeting with citizens, legislators and allies in Economic Development and Infrastructure throughout the state. AFLEP invites endorsements and support for this campaign.

ALLIANCE SUPPORT

Core Team Members available for more information on Public Banking include the following:

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