VERMONT PUBLIC BANKING IN BRIEF

By Marcia Radey, LWVWA Public Bank Task Force

In 2010 Vermont did a preliminary review of the issues to be considered in adopting a Bank of North Dakota (BND) model in VT. They found that there were many potential benefits but forecasted a complicated and controversial transition. A more in-depth and comprehensive study titled *Exploring a Public Bank for Vermont* was published in December 2013.

The *Exploring a Public Bank for Vermont* study, done in 2013 by the Gund Institute of the University of Vermont Political and Economic Research Institute at the University of Massachusetts, stated that a public bank was another method to expand the credit capacity of the state. The study found that a public bank would provide new credit not previously being loaned by private banks and projected an impact of $236 million of new loans in the state of Vermont with significant job and output metrics. Further, a public bank could save $100 million in interest costs on bonding money over 20 years. The interest on loans would go back to the State rather than out of state. A public bank would have to pay interest on deposits and other liabilities, but these costs appear to be less than the costs at a commercial bank.

The Vermont Banker’s Association (VBA) was, of course, opposed to a public bank. Ultimately the recommendation of those doing the study was that Vermont should not start a new public banking agency. They felt that the difficulties involved in capitalization, lack of collateral for short-term loans, the general risk of a brand new public venture, and the opposition from bankers and others would make it a formidable undertaking.

The VBA’s recommendation was that three already existing state agencies could be used as the equivalent of the BND. The main agency cited was VEDA (Vermont Economic Development Authority) which apparently already has adequate capital and collateral and the capacity to function as a state depository. Additional capital would give them an added source of credit to leverage deposits into new loans. The VBA felt that VEDA already functioned much like a bank and could partner with other lending agencies and banks in the state to enhance state credit. A pilot project with VEDA was suggested using a portion of state funds.

At present, Vermont does not have a public bank but through legislation they have reached a compromise called “10 Percent for Vermont.” Under this law up to 10 percent of the state treasury’s cash balance can be used for lending and investment within the state. An advisory committee was also created to advise the treasurer on “funding priorities” and “mechanisms to increase local investment.” Apparently this program has already successfully funded loans to encourage energy efficiency, multifamily affordable housing, and energy efficiency in state government buildings.

Update to the Vermont Public Banking Study Brief: To find what the current situation on the VT legislative decision on the VT PB in 2020, I contacted Ms. Johnna Ferguson of LWV-VT which did a PB study and took a position to support the VT state PB in 2013. Ms. Ferguson said she contacted the state treasurer and found that the name of the program doesn’t exist anymore however the program has been working well and they hope it will continue.

To read a small article about this program, go to:

<https://billmoyers.com/2015/01/14/vermonters-lobby-public-bank-win-millions-local-investment-instead/>

Also, the LWVVT did a study on public banking. Their position can be found here: <https://my.lwv.org/vermont/position/public-banking-2015>

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