STATE OF NEW YORK

1055

2021-2022 Regular Sessions

IN SENATE

January 6, 2021

Introduced by Sen. SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Finance

AN ACT to amend the state finance law, in relation to establishing the state of New York public bank; and providing for the repeal of certain provisions upon expiration thereof

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The state finance law is amended by adding a new article 17 to read as follows:

ARTICLE 17

STATE OF NEW YORK PUBLIC BANK ACT

Section 254. Legislative intent.
255. Definitions.
256. Creation.
257. Commission.
258. Governance.
259. Deposit of public funds.
260. Investment of state moneys.
261. Infrastructure loans.
262. Student loans.
263. Business, non-profit and individual loans.
264. Treasury and banking services.
265. Management.
266. Advisory board.
267. Financial regulation.
268. Reporting requirements.
269. Ethical requirements.
270. Fees and taxes.
271. Bank records.
272. Capitalization.
273. Public depositary.

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD06138-02-1

274. Application of this chapter to the president.
275. Cash and demand deposits available.
276. Permitted investments.
277. Severability.

§ 254. Legislative intent. 1. The legislature finds that there are significant public infrastructure, higher education, home loans, and small business development needs, including those involving minority- and women-owned business enterprises, of the state that are unmet. The legislature further finds that there are opportunities to use the state's depository assets to generate additional benefit for the people and the economy of the state. Therefore, the legislature intends to create the state of New York public bank as a legacy institution that amasses sufficient capital reserves to address opportunities now and in the future.

2. The legislature intends that the public bank may:

(a) Facilitate investment in, and financing of, public infrastructure systems and projects that will increase public health, safety, and quality of life, improve environmental conditions, including the retrofitting of homes as green homes, and promote community vitality and economic growth;

(b) Assist students who are in need of additional low-cost student loans in order to finance the cost of higher education;

(c) Acquire and contract to acquire existing mortgages owned by banks and enter into advance commitments to banks for the purchase of such mortgages, and to provide low-cost home loans to first time home buyers;

(d) Provide access to credit for small businesses, including minority- and women-owned business enterprises and farmers; and

(e) Provide banking to underserved communities and economically disadvantaged communities of our state to provide access to low-interest capital; and

(f) Leverage New York's financial capital and resources, and work in partnership with financial institutions, including credit unions, community development financial institutions, independent banks, community-based organizations, economic development organizations, guaranty agencies, and other similar organizations.

3. The mission of the bank is to use New York's depository assets in ways that afford most efficient use of taxpayer revenues and public resources for the benefit of the people and economy of the state. The legislature intends for the bank to apply business strategies to manage taxpayer revenues while concurrently meeting identified needs and strategic opportunities across the state. In achieving its purpose of improving public infrastructure and increasing access to higher education, creating a pathway to home ownership and strengthening the state's economy by investing in small businesses, including minority- and women-owned business enterprises, and farmers, the legislature intends for the bank to adhere to the following priorities:

(a) Institutional safety and soundness;

(b) Long-term viability;

(c) Social return and monetary return on investments;

(d) Prudent and best banking and business practices;

(e) Highest ethical, accountability, and transparency standards; and

(f) Insulation from political influence.

§ 255. Definitions. The definitions in this section apply throughout this article unless the context clearly requires otherwise.

1. "Board" means the advisory board of the state of New York public bank.

2. "Commission" means the state of New York public bank commission.
3. "Department" means the department of financial services.
4. "Director" means the director of the department of financial services.
5. "Economic distressed communities" means those communities where at least thirty percent of residents have incomes that are less than the national poverty level and where the unemployment rate is greater than the national unemployment rate, or economic opportunity zone designated communities.
6. "Superintendent" means the superintendent of the department of financial services.
7. "Public infrastructure system" means a system of a local government or political subdivision, a special purpose district, a public school district, an institution of higher education, a federally recognized Indian tribe, or the state, including but not limited to a system involving: Wastewater treatment; storm water management; solid waste disposal; drinking water treatment; flood control levees; energy efficiency enhancements; roads, streets, and bridges; transportation infrastructure, including freight and passenger rail and public transit; broadband and telecommunications infrastructure; outdoor recreation and habitat protection facilities; community, social service, or public safety facilities; schools and educational facilities; and affordable housing.
8. "Special purpose charter" means any public bank organized under the laws of this state that is engaged in banking for the benefit of the public.
9. "State moneys" means all moneys or funds belonging to or in the custody of the state under the control of the state comptroller shall be considered as state moneys or funds.
10. "Comptroller" means the comptroller of the state of New York.
11. "Bank" means the state of New York public bank.
§ 256. Creation. The state of New York public bank is created.
§ 257. Commission. 1. The state of New York public bank commission is created as the primary governing authority of the bank. The commission shall be an independent board consisting of no less than seven members with substantial banking and financial experience, with two members appointed by the governor, one member appointed by the temporary president of the senate, one member appointed by the senate majority leader, one member appointed by the speaker of the assembly, one member appointed by the assembly majority leader, one member appointed by the chair of the senate banks committee, one member appointed by the chair of the assembly banks committee, and one member appointed by the state comptroller.
2. The commission shall adopt rules regarding the:
(a) Safety and soundness standards of the bank;
(b) Criteria for evaluating, approving, and monitoring loans;
(c) Eligibility requirements and limits for borrowing;
(d) Transparency requirements for bank operations;
(e) Ethics and conflict of interest requirements for the commission, the board, and officers and employees of the bank, including rules to ensure that they perform their functions in compliance with the public officers law; and
(f) Other topics as needed for efficient administration of the bank.
3. The commission shall commence bank operations by April first, two thousand twenty-three.

4. The commission may delegate to the bank president such duties and powers as deemed necessary to carry on the business of the bank and enforce this article efficiently and effectively. The commission may not delegate its rule-making or policy-making authority.

5. The commission shall adopt policies and procedures for its own governance.

6. The commission may establish technical advisory committees or consult with public and private sector experts in substantive areas related to the bank's mission, objectives, and duties.

§ 258. Governance. 1. The public bank shall be governed by a board. Such board shall be composed of nine or eleven directors. Each director shall live within the jurisdictional boundaries of the sponsor.

2. The state shall determine the public bank's initial board in the following manner:

(a) The governor shall appoint three members, with a least one member having community banking or financial experience;

(b) The temporary president of the senate shall appoint two members, with at least one member having community banking or financial experience;

(c) The speaker of the assembly shall appoint two members, with at least one member having community banking or financial experience;

(d) The comptroller, who shall be a permanent member of the governing board, shall appoint one member with community banking or financial experience; and

(e) The board members selected pursuant to paragraphs (a) through (c) of this subdivision shall, pursuant to a majority vote, select at their discretion either seven or nine additional board members, with the sole purpose of maximizing board diversity of the state.

3. At least one board member selected pursuant to each of paragraphs (a) through (c) of subdivision two of this section shall be an individual with experience in the finance industry or the business of community banking with an emphasis on community lending.

4. At least one board member selected pursuant to each of paragraphs (a) through (c) of subdivision two of this section shall be an individual representative of at least one of the community stakeholders prioritized by the public bank's underwriting and financial policies.

5. When a board member resigns or leaves office for any reason, the individual selected to replace such board member shall be selected in the same manner as the initial appointment.

6. The sponsor and board shall take all necessary steps to ensure that the composition of the board reflects the composition of the population in terms of people of color and women.

7. A majority of the board shall be composed of independent directors who are not government employees. The chair of the board shall be an independent director.

8. The board shall set policy for the public bank; provided, however, that neither the board nor any director shall be involved in day-to-day operations regarding particular instruments. Management decisions shall be made independently by bank management who shall be appointed by the board in a manner consistent with bank policy.

9. The board may establish one or more committees to manage the public bank.

10. The board shall adhere to all reporting requirements under this chapter regarding the public bank's financial condition.

11. A public bank shall form one or more advisory boards in order to provide advice and carry out any other duties, as determined by the public bank, including but not limited to, the following:

(a) Provide input to the board regarding ways to accomplish its mission;

(b) Ensure that the board follows strict ethical standards as determined by the sponsor in the public bank's governing documents, through the approval of bylaws, to govern the board's management;

(c) Provide technical advice as needed; and

(d) Provide an annual report to the public and the sponsor evaluating the public bank's performance in relation to its mission, its ethical standards and its financial soundness.

12. The state shall determine the initial advisory board membership, the term of its members, the qualifications of members and the method for replacing its members, provided that a majority of each advisory board is made up of independent members who are not government employees. Such advisory board shall be composed of no fewer than five members and no more than eleven members. All advisory board members shall be residents of the state.

13. Any action required or permitted by this chapter to be taken by the board, or an advisory board, may be taken at a duly called meeting of such board in accordance with its governing documents or without a meeting if the action taken is evidenced by one or more written consents describing the action taken and signed by each member of such board.

14. The department shall provide technical assistance to the board. The board may also contract with additional persons who have specific technical expertise if such expertise is necessary to carry out the requirements of this section. When seeking technical assistance and/or advice, the board shall also consult minority-owned or women-owned businesses when applicable.

§ 259. Deposit of public funds. 1. (a) The bank shall serve as the depository for state moneys once the bank has built sufficient capacity to accept and manage state moneys, as determined by the commission. The commission shall establish a process and time frame for the deposit of state moneys into the bank.

(b) The comptroller shall deposit state moneys in the bank in accordance with the time frame and guidelines determined by the commission under this section.

2. All deposits in the bank are guaranteed by the state.

3. All income earned by the bank on state moneys that are deposited in or invested with the bank must be credited to and become a part of the revenues and income of the bank.

4. The bank may accept deposits of public funds.

5. The bank may accept funds from any source, including federal funds or other public funds, including but not limited to, twenty percent of a cannabis revenue fund as part of the state's social and economic equity plan. Specifically, fifty percent of all public deposits made into the public bank shall prioritize lending in unbanked and underserved communities that have an income lower than eighty percent of the median income of the county in which the applicant resides, has a minority-owned or women-owned business or is a disadvantaged farmer.

6. The commission shall review state accounts that contain public funds that are not state moneys, such as the state insurance fund, and make recommendations to the governor and the appropriate committees of the legislature as to which accounts should be deposited in the bank.

7. The bank shall make disbursements to the state funds as necessary for the function of state government.

8. The bank is authorized to establish a master account with the federal reserve to enhance its liquidity.

§ 260. Investment of state moneys. The bank may invest state moneys deposited in the bank that are not reasonably expected to be necessary to meet the short or intermediate-term liquidity needs of the state. The state comptroller retains authority to manage and invest the amount of funds necessary to meet the operational needs of state government.

§ 261. Infrastructure loans. The bank is authorized to facilitate investment in, and financing of, construction, rehabilitation, replacement, and improvement of new and existing public infrastructure systems. Before initiating operations, the commission shall present an implementation plan and any necessary legislation to the governor and appropriate legislative committees, that:

1. Identifies the public infrastructure systems that the bank plans to target initially;

2. Identifies any existing state programs that the bank recommends be transferred under its umbrella, and the steps and timelines for the transitions;

3. Describes additional financing products and services the bank plans to offer, the target markets, anticipated rates, terms, and conditions;

4. Demonstrates how bank products and services will increase access to capital for public infrastructure systems and complement those of existing public and private sources; and

5. Demonstrates how the bank plans to maximize revenues and public benefit.

§ 262. Student loans. The bank, in partnership with independent community banks, credit unions or community development institutions, is authorized to administer a state guarantee loan program to assist students in need of low-cost student loans and related loan benefits to address educational needs as necessary to support student success, including the refinancing of an existing student debt. The commission shall develop an implementation plan that:

1. Identifies the needs and benefits to selected students that the program will target initially;

2. Demonstrates how the bank plans to maximize revenues and public benefit while minimizing public risk;

3. Demonstrates how the bank will coordinate with the office of student financial assistance; and

4. Identifies the ways that the program will address the following issues related to loans:

(a) Qualification criteria for students;

(b) Obligations and options for loan repayment;

(c) Requirements for loan guarantees and reserves;

(d) Establishing criterion for refinancing an existing debt;

(e) Fee and interest rate structure;

(f) Maximum loan amounts; and

(g) Ensuring student awareness of grants, federal loans, and other financial aid programs.

§ 263. Business, non-profit and individual loans. The bank, in partnership with independent community banks, credit unions or community development financial institutions, is authorized to leverage thirty percent of public deposits as financial capital and resources to provide access to low-cost capital and/or credit to small businesses, minority- and women-owned business enterprises, entrepreneurs, start-up busi-

nesses, farmers and below average income communities and individuals of this state to further economic growth, create jobs and build and sustain affordable housing for the residents of this state as provided for by this section. The bank is also authorized to leverage its financial capital and resources to provide access to low-cost capital to bring fiscally sound and financially successful businesses into this state as provided for by this section. The bank is also authorized to leverage its financial capital and resources to provide access to low-cost capital and/or credit to established businesses in this state for the purpose of providing financial stability for the bank as provided for by this section.

1. The bank, in partnership with the state of New York mortgage agency, may purchase, guarantee or hold loans made by private banks, credit unions or other financial institutions doing business in this state.

2. The bank may make loans in the form of participation loans with community banks, credit unions and community development financial institutions in this state to qualified individuals and businesses residing or doing business in this state when the originator of the loan is a private bank, credit union or other financial institution.

3. The bank may serve as a banker's bank for chartered banks in this state by providing correspondent banking services and other related services in keeping with its mission to create regional banks in unbanked and underserved communities. The bank and regional banks established pursuant to this statute shall not compete with private banks, particularly in unbanked and underserved communities.

4. The bank may accept deposits related to such transactions from banks and other financial institutions.

§ 264. Treasury and banking services. 1. For financial institutions that make the bank a reserve depository, the bank may serve as a clearinghouse, including all facilities for providing domestic and foreign exchange, and may rediscount paper, on terms the commission provides.

2. The bank may provide corporate trust services for the state and its political subdivisions including trustee, escrow agent, paying agent, bond registrar, and transfer agent.

3. The bank may buy and sell federal funds; issue letters of credit for public deposits; and provide a safekeeping service for United States treasury securities, federal agency securities, corporate bonds, tax-free bonds, money market investments, and mortgage-backed securities.

4. The bank may perform services currently contracted out by the office of temporary disability services regarding electronic benefits transfer cards.

§ 265. Management. 1. The commission shall appoint a bank president with demonstrated and substantial experience in community banking. The president shall serve at the commission's pleasure, on such terms and conditions as the commission determines.

2. The president shall provide support to the commission and the advisory board, carry out bank policies and programs, and exercise additional authority as may be delegated by the commission.

3. Subject to available funding and consistent with commission direction, the bank president:

(a) May employ such additional personnel as are necessary to the bank's operations. This employment shall be in accordance with the state civil service law; and

(b) May contract with persons who have the technical expertise needed to carry out a specific, time-limited project.

§ 266. Advisory board. 1. (a) A public bank advisory board consisting of eleven members is created to review the bank's operations and make recommendations relating to the bank's management, services, policies, and procedures.

(b) The governor shall appoint members of the advisory board, subject to confirmation by the senate. The members of the advisory board shall be knowledgeable in community banking or finance and shall represent a diversity of experience relevant to activities of the bank. Six or more of the members shall have expertise in community banking or finance. Two members shall be from a consumer advocacy or social justice organization or have a background in the area of consumer advocacy or social justice. Advisory board members serve at the pleasure of the governor.

(c) The board shall choose its chair from among its membership.

2. The term of the members is three years. Five of the initial board members shall be appointed to serve an initial term of three years, three shall be appointed to serve an initial term of two years, and the three remaining members shall be appointed to serve an initial term of one year. All subsequent terms are three years. To ensure that the board can continue to act, a member whose term expires shall continue to serve until his or her replacement is appointed. In the case of any vacancy on the board for any reason, the governor shall appoint a new member to serve out the term of the person whose position has become vacant. A board member may be removed for misconduct inconsistent with the mission of the bank by the governor.

§ 267. Financial regulation. 1. The bank shall maintain capital adequacy and other standard indicators of safety and soundness as is appropriate for a publicly owned financial institution.

2. The superintendent may examine the bank in the same manner as a state-chartered financial institution. The superintendent shall take into consideration the unique circumstances of a publicly owned financial institution when examining the bank. The bank shall pay the director for the reasonable costs of examinations.

3. The bank must undergo independent audits on the same basis as state-chartered banks.

§ 268. Reporting requirements. 1. The bank shall submit quarterly reports to the commission in a manner and form prescribed by the commission. Late reports are not permissible and shall be cause for removal of the person or persons responsible.

2. The commission shall make a report to the legislature on the affairs of the bank by December first of each year.

§ 269. Ethical requirements. The bank may not make a loan to any advisory board member, the president, public officers or employees of the bank. Advisory board members, the president, and employees of the bank must follow any applicable ethical requirements in rules, policies, and procedures adopted by the commission.

§ 270. Fees and taxes. The bank is exempt from payment of all fees and taxes levied by the state or any of its subdivisions.

§ 271. Bank records. 1. Certain bank business records and records of the department relating to the bank are exempt from public disclosure as authorized by the department of financial services.

2. Financial and commercial information and records submitted to either the department or the commission for the purpose of administering this article may be shared between the department and the comptroller. These records may also be used in any suit or administrative hearing involving any provision of this chapter.

3. This section does not prohibit:

(a) The issuance of general statements based on the reports of persons subject to this article as long as the statements do not identify the information furnished by any person; or

(b) The publication by the director or the commission of the name of any person violating this article and a statement of the manner of the violation by that person.

§ 272. Capitalization. The commission shall make recommendations to the appropriate fiscal committees of the legislature on options for capitalization of the bank. Any recommendations shall include draft legislation for consideration by the legislature.

§ 273. Public depositary. The state of New York public bank created in section two hundred fifty-six of this article may accept deposits of public funds, but is not a public depositary.

§ 274. Application of this chapter to the president. The provisions of this chapter outside this article do not apply to the president as defined in section two hundred sixty-five of this article.

§ 275. Cash and demand deposits available. The state comptroller shall maintain at all times cash, or demand deposits in the state of New York public bank or qualified public depositaries in an amount needed to meet the operational needs of state government. The state comptroller shall not be considered to be in violation of unlawful issuance of checks or drafts if he or she maintains demand accounts in public depositaries in an amount less than all treasury warrants issued and outstanding.

§ 276. Permitted investments. Subject to the limitations in section two hundred sixty of this article, wherever there is in any fund or in cash balances in the state treasury more than sufficient to meet the current expenditures properly payable therefrom, the bank may invest or reinvest such portion of such funds or balances as the bank deems expedient in the following defined securities or classes of investments:

1. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States;

2. In state, county, municipal, or school district bonds, or in warrants of taxing districts of the state. Such bonds and warrants shall be only those found to be within the limit of indebtedness prescribed by law for the taxing district issuing them and to be general obligations. The state comptroller may purchase such bonds or warrants directly from the taxing district or in the open market at such prices and upon such terms as it may determine, and may sell them at such times as it deems advisable;

3. In motor vehicle fund warrants when authorized by agreement between the state comptroller and the department of transportation requiring repayment of invested funds from any moneys in the motor vehicle fund available for state highway construction;

4. In federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system;

5. Negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the United States, provided, the comptroller shall follow the investment policies and procedures advised by the investment advisory committee pursuant to subdivision b of section four hundred twenty-three of the retirement and social security law;

6. Commercial paper, provided that the comptroller shall follow the investment policies and procedures advised by the investment advisory committee pursuant to subdivision b of section four hundred twenty-three of the retirement and social security law.

§ 277. Severability. If any clause, sentence, paragraph, subdivision, section or part of this article shall be adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, subdivision, section or part of this article directly involved in the controversy in which such judgment shall have been rendered.

§ 2. This act shall take effect immediately; provided, however, that section 258 of the state finance law, as added by section one of this act shall be deemed repealed on April 1, 2022. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.