



Written Testimony of Inclusiv

The New York State Senate Finance Committee and New York State Assembly Ways and Means Committee.

Joint Legislative Hearing Schedule on Economic Development and the Fiscal Year (FY) 2022-23 Executive Budget Proposal.

February 16, 2022

Chairs Krueger and Weinstein and committee members, thank you for providing the opportunity for Inclusiv to submit written testimony in support of today's hearing. Inclusiv is a national credit union membership organization representing 33 credit unions, including 15 CDFIs, that serve more than 132,000 New Yorkers. Our mission is to help low- and moderate-income people and communities achieve financial independence through credit unions.

We are also founding members of the NYS CDFI Coalition and members of the NYS Community Equity Agenda, a coalition of nearly 50 organizations working to advance a vision of economic development in our state that is grounded in principles of racial justice and community wealth-building.

As low-income communities and communities of color across the state continue to reel from the economic devastation caused by COVID-19, this year's budget presents an historic opportunity to make bold investments that will drive equitable local economic development for years, and even decades, to come. We urge both houses of the Legislature to allocate \$100 million for the NYS CDFI Fund and \$100 million in matching funds to help local governments capitalize public banks, and to adopt, as part of the budget, the NY Public Banking Act (S1762A/A8290), which creates a safe and appropriate regulatory framework for local public banks in New York.

I. Allocate \$100 million for the NYS CDFI Fund to Promote Equitable Economic Development in Historically-Redlined Communities

Community Development Financial Institutions (CDFIs) – such as community development credit unions and loan funds that serve low-income people and small businesses – stimulate economic development in historically-redlined neighborhoods by providing responsible loans and financial services. With 83 CDFIs serving every county, New York State has the second highest concentration of CDFIs in the nation. From 2003-2018, New York CDFIs channeled \$4.3 billion in loans to low-income neighborhoods and communities of color, creating 53,718 affordable housing units, supporting the start-up and expansion of 73,137 small businesses and micro-enterprises, and creating 64,980 jobs. CDFIs have played an outsized role during the pandemic delivering PPP funds, emergency loans, and much more to shore up



New Yorkers of color, MWBEs, and others hard-hit by the crisis.

In 2020, New York State finally funded the NYS CDFI Fund, the first state-based fund of its kind, to help CDFIs expand their infrastructure and deliver responsible financial services to more low-income New Yorkers and neighborhoods. This was a major victory for the NYS Community Equity Agenda coalition and others who fought for this historic investment. New York's allocation of \$25 million over five years is a good start, but it is a drop in the bucket compared to the urgent need in communities.

Because CDFIs leverage every grant dollar with at least 12 additional dollars from other sources, appropriating \$100 million to New York's CDFI Fund this year would generate more than \$1.2 billion in direct lending and services in low-income communities and communities of color statewide.

II. Advance Local Public Banking to Stimulate Economic Development in Communities Hardest-Hit by the Pandemic

Public banks are lending and depository institutions created by governments and chartered to serve the public interest. Through public banking, local governments can leverage public funds to stimulate local economic development, including by partnering with CDFIs and others to expand financial services and lending in historically-redlined communities. More than 900 public banks have long existed in diverse countries and economies worldwide, from Costa Rica and Chile to Germany and beyond. Public banks play important roles investing in small businesses, renewable energy and other sectors, and have enabled governments to respond quickly and effectively during the COVID-19 crisis. Here in the U.S., for example, the century-old Bank of North Dakota was credited with helping North Dakota small businesses secure more PPP loans, per capita, than in any other state.

A. Adopt the NY Public Banking Act to Create a Safe and Appropriate Regulatory Framework for Local Public Banking

The momentum to bring local public banking to New York State is growing by the day. Last month, 150 community, labor, and small business groups signed a letter in support of the "New York Public Banking Act" (S1762A/A8290), which creates a safe and appropriate regulatory framework and provides consistent statewide guidance for New York cities, counties, and regions seeking to establish public banks. The legislation has been co-sponsored by 50 Assemblymembers and 27 Senators and has the backing of numerous local elected officials who want to bring public banking to their communities. Most recently the entire Rochester City Council signed a letter in support of this framework. We urge the Governor and Legislature to adopt the NY Public Banking Act as part of the FY23 budget.

B. Create a First-in-the-Nation Matching Fund to Help Local Governments Capitalize Public Banks, and Stretch Stimulus Funds over Decades



NYS has an historic opportunity to ensure that federal stimulus dollars serve NY communities well-beyond this budget cycle, by pairing the NY Public Banking Act with a first-in-the-nation matching fund to help capitalize local public banks (see attached diagram). Using the U.S. Bureau of Economic Analysis Regional Input-Output Modeling System we estimate that, for every \$100 million in matching funds New York provides, local public banks will be able to lend an additional \$1.2 billion to support local economic development. Over ten years that would translate into \$15 billion in new economic activity and 47,000 new jobs in New York State. This is the kind of bold investment New York must make, as we pursue a just recovery and future for all New Yorkers.

Thank you again for the opportunity to submit this testimony. **For more information, please contact:** Jules Epstein-Hebert – jhebert@inclusiv.org – 646-367-3187

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon".

Cathleen A. Mahon
President and CEO
Inclusiv