



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

## **HB41: Maryland Public Bank Task Force - Establishment**

Bill Hearing: January 20th, 2021, 1:30 PM, Economic Matters Committee

Chairman Dereck Davis and Vice Chair Kathleen Dumais,

Across Maryland there are communities with high proportions of underbanked/unbanked households and communities that have experienced multigenerational disinvestment. Often, the same communities face this dual burden. To transform the financial health of underserved households and advance the community development goals of their communities, I have introduced HB41 to establish a Maryland Public Bank Taskforce. I was drawn to this concept after reading a 2019 Abell Foundation report which notes “when profit maximizing firms lack an affirmative public service mandate, subprime can quickly shade into predation.”

Exploring the feasibility of a Maryland Public Bank does not seek to replace private sector banking but supplement the capitalization of communities with unmet needs. For our disinvested communities to receive the capital needed to start businesses, innovate housing affordability and realize infrastructure improvements will require creativity and more coordinated investment strategies in the public interest to ultimately entice private sector support.

Hashing out the merits, design and purpose of such a sensitive financial endeavor requires a thoughtful collaboration among relevant stakeholders. With that in mind, HB41 aims to establish a 17 member Maryland Public Bank Taskforce, which will review and evaluate the viability of a public Maryland State Bank. The task force would perform an assessment of the state's current public and private network of financial institutions for the purpose of identifying unmet community needs which the new state bank would aim to target.

The Taskforce will explore how a Maryland Public Bank could:

- strengthen the economic and community development needs of Maryland;
- provide financial stability through its investments in other financial institutions;
- reduce the cost paid by State government for banking services;
- generate earnings beyond those necessary for the continued operation of the trust, which could be used to supplement the General Fund of the State;
- examine how a State bank may support a strong private sector financial community that would provide capital for businesses in Maryland;
- examine various administrative and operational structures organizing a State bank, including boards of directors, sources of deposits, oversight and audit of financial activities, and guarantees of financial products;
- consider options for integrating a State bank model into the existing State financial services network, including ideas such as lending capital to banks, credit unions and nonprofit community development financial institutions; and
- evaluate the long-term impact of creating a Maryland State Bank on economic growth, job creation, and State revenues.

Recent pressures on state and local revenues should spur us to reevaluate the impact of the status quo. As a legislature, we are charged with the stewardship of Maryland tax dollars so we should be assured that they are being realized in ways that best improve the quality of life for our most vulnerable Marylanders. Our collective economic resilience is tied to being mindful of the possibilities for fiscal innovation.

I urge you to vote favorably on HB0041.

Sincerely,

Delegate Stephanie M. Smith