Newsletter for Aug 7, 2026: Public Banking

I Want You!

My campaign is gaining momentum, and you can help move it along. If you can do any of the following, it would be greatly appreciated:

- Share this newsletter with a friend, neighbor or family member
- Follow me on Facebook, Instagram and Threads
- Volunteer to help with postcards or canvassing
- Write a letter to the editor
- Make a donation if you can

What is Public Banking

Simply put, a Public Bank is a State-chartered bank that takes deposits and makes loans. The specific case I'll be talking about is a little different from the bank on the corner downtown. In this newsletter, you'll learn about what makes them special (maybe even a little magical!) and why we need one here in Vermont. That very special public bank, the last one remaining in the United States, is the Bank of North Dakota.

A Little History

The Bank of North Dakota (BND) was chartered in 1919. At the time there were a fair number of state-owned banks in the country. Like many of those banks BND was created in response to popular movements that arose out of a real need. In their case, farmers were furious that they could not get loans they needed to continue farming. In North Dakota, farmers went so far as to create a new political party which was successful enough to gain a majority in the legislature. That majority created the BND with initial capital of two million dollars. Though state-owned (the "public" part of public banks) it was explicitly non-political, which has been a key part of its long-term success.

During the Great Depression, commercial banks began foreclosing on farms. In many parts of the country, farmers lost their land and migrated away from their homes. In North Dakota, BND bought the farms that were threatened with foreclosure and rented them back to their former owners for one dollar. Once the farmers recovered following the Depression, they sold the farms back to the farmers at a price they could afford, taking a loss that BND could afford. BND has been doing good things for the people of North Dakota ever since.

Wait, This Does Sound Like Magic

It does indeed, but I assure you that this is not a fairy tale. Here's how it all works:

1. The State of North Dakota, like all states, receives revenue – taxes – from business and individuals. Some time later, that money is used to pay the state's expenses.
2. Money comes into the state all year, and payments are made at various intervals as well. In the interim – the time between receiving income and making payments – that money has to sit somewhere.
3. Most states, including Vermont, deposit that money into an account at a commercial bank. That bank does pay some interest on that money while it sits in that account, but not much (or I should say, not enough.)
4. Here's where the magic happens: the public bank, in this case the BND, invests that money in loans and other investments, and because the state owns the BND, they get to keep most of the earnings on those investments.

So How Much Money Are We Talking About?

Keep in mind that this is North Dakota, and North Dakota is different from Vermont. According to Don Morgan, CEO of the Bank of North Dakota, depositing North Dakota's working capital in a commercial bank would yield about $25 million. By contrast, BND earns, and returns to the state, $500 million. That's right, half a **billion** dollars. All of that money goes into the general funds and is available to the legislature to spend as they see fit.

As I said, Vermont is different. Our overall budget is about half of North Dakota's – around $2.5 billion compared to $5 billion in round numbers. They also have revenues, like payments from oil companies related to fracking, that we don't have. Based just on the scale of the two states' economies, you might think that Vermont would be able to realize $250 million annually if we had a public bank similar to BND.

Even if we remove 20% for the missing oil revenues, that would still be $200 million. Think about what we could do with that. Fund community health centers and universal primary care? Reduce our property taxes? Update our schools and other aging infrastructure? Allow farmers to buy new equipment with a commercial-rate loan rather than using a credit card and paying 18% or more as many must do now. Deciding how to spend this windfall would be a really nice problem to have.

There Must Be More...

Of course there is. This wouldn't happen overnight. First, it's not a cookie-cutter approach. We would have to charter and structure the State Bank of Vermont to meet our unique needs. It would need to be staffed, software and hardware would be needed, along with a chunk of starting capital. Most importantly, its governance would have to be protected from politics; it would have to be run like a bank.

CEO Morgan suggests that it would take three to five years to be profitable and start returning revenue to the state. But it could be done. If we choose not to (really, if we don't choose to) start a public bank, in three to five years we will be that many years further along the path we are currently on. I don't know about you, but I'm not a fan of our current path.

The Commercial Banks Must Hate This, Right?

Yes and no. The big commercial bank that currently holds Vermont's operating capital will definitely not be happy. But what I haven't told you is that BND depends completely on partnerships with small local banks and credit unions. We are talking about banks like The Bank of Bennington and credit unions like East Rise and Heritage. Those institutions love BND because:

1. BND does no retail accounts. You can't open a savings account or a checking account with BND. They will tell you to go to one of their partners.
2. Loans still originate at local banks and credit unions. Loans that they would have approved anyway are still made without the participation of BND. If the loan is too risky, or is out of scope for the local bank, the borrower works with BND. If the lending is considered necessary and reasonable, BND will back the loan, and maybe even buy down the interest rate. On the back end, BND will purchase the loan. In that case the bank or credit union continues to service the loan and receives fees for that service that they would not otherwise have.

Retail banking is expensive to operate, which means that BND – which does no retail banking – can afford to back loans that a commercial bank would not see as profitable. But BND actually helps the partner banks by bringing them business – and income – that they would not otherwise have. That partnership – with 91 North Dakota banks and credit unions – is a big part of BND's success.

As for the big banks? They need deposits more than they need loans. They make money by having money to lend with no shortage of qualified applicants to make those loans. BND doesn't exclude big banks from partnering, the big banks simply don't need BND.

Wait, There's Even More

The third part of this magical story comes into play during a disaster situation. As we well know in Vermont, it can take years for Federal disaster relief to arrive. In North Dakota, BND has had funds available for disaster relief within weeks, in the form of low-interest loans and even forgivable loans. Because BND has *billions* in assets available at any given time, and because they are owned by the state and local to the problems, they can and do move quickly when the need arises.

Similar to how they saved family farms during the Depression, BND can and does make real differences in the lives of real people.

If Having a Public Bank Is So Great, Why Don't More States Have One?

Good question. The short answer is "politics". There have been proposals in the Vermont legislature for years, and they have never made it out of committee. Bank lobbyists represent both large and small banks, and don't necessarily differentiate between the two as part of their lobbying efforts. Guess who pays them the most money.

Also, state treasurers gain more political capital by doling out funds themselves than they would by having a state bank do it. I'm not saying that's the case here, but.

The biggest hurdle may be that banks, particularly smaller banks which might benefit from them, don't understand the advantages of having a public (state) bank. That's not politics, that's education. It's up to proponents of public banks to provide that education. If the small banks and credit unions really understood and got on board, I believe Vermont would have a state bank.

About This Newsletter

I learned much of what I've written about here by attending the Vermont Public Banking Congress earlier this week. The keynote speaker was Bank of North Dakota CEO Don Morgan, and I had several one-on-one conversations with him (and many others) as well. The many attendees included legislators, candidates (including gubernatorial candidate Amanda Janoo), farmers and members of groups who work with farmers and others, educators and ordinary citizens. The event was held at the Lake Morey Resort in Fairlee, and the Vermont Law & Graduate School in South Royalton. The Congress was hosted by the White River Natural Resources Conservation District, and I thank them for organizing the event and inviting me to attend.

If you would like more information about public banking, please contact me. I can also put you in touch with public banking advocacy groups and individuals.

I have tried my best to accurately report what I learned at the Congress. Any errors or misrepresentations are my responsibility.