

**HOUSE . . . . . No. 1223**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Mike Connolly and Nika C. Elugardo***

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to establish a Massachusetts public bank.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Mike Connolly</i>	<i>26th Middlesex</i>	<i>2/18/2021</i>
<i>Nika C. Elugardo</i>	<i>15th Suffolk</i>	<i>2/18/2021</i>
<i>Lindsay N. Sabadosa</i>	<i>1st Hampshire</i>	<i>2/18/2021</i>
<i>Jack Patrick Lewis</i>	<i>7th Middlesex</i>	<i>2/24/2021</i>
<i>Patrick M. O'Connor</i>	<i>Plymouth and Norfolk</i>	<i>3/15/2021</i>

**HOUSE . . . . . No. 1223**

By Representatives Connolly of Cambridge and Elugardo of Boston, a petition (accompanied by bill, House, No. 1223) of Mike Connolly, Nika C. Elugardo and others for legislation to establish the Massachusetts public bank. Financial Services.

**The Commonwealth of Massachusetts**

**In the One Hundred and Ninety-Second General Court  
(2021-2022)**

An Act to establish a Massachusetts public bank.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. The General Laws are hereby amended by inserting after chapter 10 the  
2 following chapter:-

3 CHAPTER 10A

4 MASSACHUSETTS PUBLIC BANK

5 Section 1. Declarations.

6 (a) There shall be a Massachusetts public bank (the Bank), wholly owned by the  
7 commonwealth, to provide a safe depository for a portion of the public funds in the  
8 commonwealth and to support the economic well-being of the commonwealth, its cities and  
9 towns, its residents, its businesses and its state and municipal institutions, with an accountable  
10 and responsive governance structure that ensures community input.

11 (b) In order to obtain these benefits, the Massachusetts public bank shall

- 12           1)assist businesses and municipalities in recovering from the economic repercussions of  
13 the COVID-19 pandemic;
- 14           2)expand affordable, sustainable financing in the commonwealth;
- 15           3)enable the commonwealth to share in the benefits extended by the Federal Reserve to  
16 lending institutions;
- 17           4)ensure that a significant portion of public revenues function as deposits to finance  
18 economic activity within the commonwealth, as opposed to financing activity out-of-state;
- 19           5)strengthen state-chartered banks, including through participatory loan programs;
- 20           6)support state-based public, quasi-public agencies and non-profits including,  
21 Community Development Financial Institutions, Community Development Corporations and  
22 Economic Development Corporations;
- 23           7)respond to the unmet affordable financing needs of cities and towns in the  
24 commonwealth;
- 25           8)support small and medium-sized enterprises in the commonwealth, especially in  
26 underserved communities or in lines of business where traditional sources of finance are not  
27 available;
- 28           9) assist workers and communities in creating jobs by supporting cooperative business  
29 models including worker-owned coops;
- 30           10)increase available affordable housing options for all residents in the commonwealth;

31 11)promote sustainable agricultural production, address food insecurity, and provide  
32 financing for rural business concerns tailored to the resource challenges they face;

33 12)address the historic and current economic inequities experienced by the state’s  
34 communities of color, their neighborhoods and their enterprises through affordable financing;

35 13)offer affordable financing to non-profit and community-based organizations that work  
36 to address the results of racial injustice;

37 14)address the historic and current disadvantages experienced by the state’s women-  
38 owned enterprises with affordable financing, as well as community-based organizations that  
39 work for women’s economic and social equity;

40 15)support the urgent expansion and development of public and private measures to  
41 mitigate the grave dangers that climate change poses to the public and to promote substantial  
42 reductions in greenhouse gas emissions;

43 16)provide financing, either directly, through participation loans or through  
44 intermediaries such as community development financial institutions, that is long-term and  
45 flexible in its terms and use, including debt, and under certain conditions, equity and all with the  
46 purpose of filling a capital gap and supporting the Bank’s initiatives;

47 17)be supervised for safety and soundness by the commissioner of banks.

## 48 Section 2. Definitions.

49 The following words as used in this chapter, unless the context otherwise requires, shall  
50 have the following meanings:

51 “Affordable financing”, as defined in section 13 below.

52 “Affordable housing”, housing that: (1) satisfies the definition in section 1 of chapter 60  
53 or section 38D of chapter 121B; (2) is a qualified low-income housing project as defined in 26  
54 U.S.C. 42(g); or (3) is owned by families that (i) reside in a census tract in which the median  
55 income does not exceed 80 per cent of the area median income or (ii) have an income that does  
56 not exceed area median income and that resides in a minority census tract.

57 “Commissioner”, as defined in section 1 of chapter 167.

58 “Community development corporation”, as defined in section 2 of chapter 40H.

59 “Community development financial institution”, a private financial entity dedicated to  
60 delivering non-predatory affordable lending to help low-income, low-wealth and other  
61 disadvantaged people and communities that shall have the meaning ascribed to it under 12  
62 U.S.C. 472(5)(a), including, but not limited to, those institutions that are not certified by the  
63 United States Treasury Community Development Financial Institution Fund.

64 “Eligible recipients”, as defined in section 12.

65 “Land trust”, a private, non-profit corporation or organization that acquires, manages,  
66 develops or maintains land or easements to promote the preservation or restoration of land in the  
67 commonwealth either for recreational, agricultural, scenic, residential or commercial use  
68 including, but not limited to, affordable housing, climate security or water resource protection  
69 uses.

70 “Massachusetts bank”, an association or corporation chartered by the commonwealth  
71 under chapter 168, 170, 171 or 172.

72 “Massachusetts Public Bank” or “Bank”, a bank chartered by the commonwealth and  
73 wholly owned by the commonwealth to accept deposits of public funds and provide affordable  
74 financing to eligible recipients so as to enhance the economic health of the commonwealth.

75 “Minimum Average Annual Balance” or “MAAB”, the minimum amount of funds that  
76 the state treasurer shall keep with the Bank as a minimum average daily balance, which is  
77 \$1,400,000,000. Annually, the state treasurer shall adjust the MAAB upwards by multiplying the  
78 MAAB by the most recent reported average amount of cash and cash equivalents reported by the  
79 state treasurer under section 11, divided by the average amount of cash and cash equivalents  
80 reported in the year before that. The state treasurer shall not adjust the MAAB downwards.

81 “Participation loan”, a loan in which the Bank shares in funding or overseeing an advance  
82 of credit under a written agreement between the originator of the loan and the Bank.

83 “Rural area”, a municipality with population density of less than 500 residents per square  
84 mile, according to the latest decennial census of the United States.

85 “Rural business concern”, a business that (1) is a smaller business entity; (2) has its  
86 principal business operations in 1 or more rural areas in the commonwealth; and (3) is engaged  
87 in an occupation that directly supports the economy of the rural area or areas in which it is  
88 located.

89 “Underserved neighborhood”, a neighborhood that meets 1 or more of the following  
90 criteria: (1) the annual median household income is not more than 65 per cent of the statewide  
91 annual median household income; (2) minorities comprise 40 per cent or more of the population;  
92 (3) 25 per cent or more of households lack English language proficiency; or (4) minorities  
93 comprise 25 per cent or more of the population and the annual median household income of the

94 municipality in which the neighborhood is located does not exceed 150 per cent of the statewide  
95 annual median household income.

96 “Smaller business entity”, a business that has 40 per cent of the employee count of a  
97 small business as defined under section 57 of chapter 23A.

98 Section 3. Authorities and Examinations.

99 (a) Unless explicitly provided otherwise under this chapter, the Bank shall have all the  
100 powers under the provisions of chapter 167F, as well as the other powers available to  
101 Massachusetts banks under the law.

102 (b) In the provision of financing, the Bank shall only exercise its powers so as to support  
103 eligible recipients by providing them with affordable financing. In the opening of deposit  
104 accounts, the Bank shall only open deposit accounts as provided in section 9.

105 (c) The Bank is authorized to become a member of the Federal Reserve System.

106 (d) The Bank is not authorized to become a member of the Federal Deposit Insurance  
107 Corporation.

108 (e) To the extent convenient for its operations, the Bank may pursue its goals through  
109 affiliates, to be established under the same rules and regulations applying to other state-chartered  
110 depository institutions. These affiliates shall be subject to the same restrictions applying to the  
111 Bank with respect to deposits, eligible recipients and affordable financing as set forth in sections  
112 9, 12 and 13.

113 (f) The Bank may accept and solicit property, including any gifts, donations, grants or  
114 bequests or any federal funds for any of the purposes of this chapter.

115 (g) Beginning 1 year after the Bank has commenced operations and at least annually  
116 thereafter, the commissioner of banks shall examine the bank under its authority to examine  
117 Massachusetts banks. The Bank shall be subject to the provisions of chapter 167 and section 13  
118 of chapter 167J; provided, however, that sections 2I, 14, 14A, 14C, 15-15K, 19, 20, 34, 37, 37A,  
119 37B, 40, 41, 42, 43, 44, 45 and 46 of chapter 167 shall not apply to the Bank.

120 (h) In examining the Bank, the commissioner shall pay special attention to transaction  
121 testing the Bank's compliance with its Business Plan. This part of the examination shall become  
122 public 6 months after the conclusion of the examination.

#### 123 Section 4. Governance Structure of the Bank.

124 The provisions of this section are subject to the initial organization provisions of section  
125 6.

126 (a) There shall be a board of directors to govern the Bank consisting of 9 members: 8 of  
127 whom shall be appointed by the state treasurer; and 1 of whom shall be the state treasurer or the  
128 state treasurer's designee. The 8 appointed members shall include individuals who bring  
129 professional experience, across their number, in the operation of (1) community development  
130 financial institutions, (2) state-chartered depository institutions doing business primarily in the  
131 state, (3) credit unions or cooperative banks chartered under chapter 170 or chapter 171, (4)  
132 small business enterprises located in the commonwealth, and individuals who have expertise in  
133 the fields of (5) public finance and economic development, (6) local government and  
134 administration and (7) environmentally-conscious financing. The 8 appointed members shall  
135 receive the advice and consent of the Governor's Council, in order to ensure that the board



136 collectively has experience with all of these subjects, as well as broad knowledge of the  
137 economic needs of all the councilors' respective districts.

138 (b) Board representation shall reflect the geographical, racial and gender diversity of the  
139 commonwealth as periodically determined by the state secretary as the commonwealth's chief  
140 census officer. The members of the board of directors shall represent all geographic areas of the  
141 commonwealth, including urban, rural and suburban areas.

142 (c) A board member shall be a resident of the commonwealth at least 90 days before  
143 appointment and, with the exception of the state treasurer or the state treasurer's designee, while  
144 serving on the board, shall not: (1) hold or be a candidate for federal, state or local elected office;  
145 (2) hold an appointed office in a federal, state or local government; (3) serve as an official in a  
146 political party; or (4) have served in any such office in the previous 4 years. The board members  
147 shall take an oath to faithfully and impartially execute their duties as board members. The  
148 members of the board shall be compensated for work performed for the board at such rate as the  
149 secretary of administration and finance shall determine.

150 (d) A board member shall serve for a term of 4 years or until a successor is appointed  
151 and shall be eligible for a single reappointment.

152 (e) The board of directors shall elect its own chair by majority vote. This election shall  
153 take place whenever (1) a chair's term on the board of directors ends without reappointment or  
154 (2) 2 or more members of the board of directors shall call for an election. Seven board members  
155 shall constitute a quorum and the affirmative vote of a majority of board members present and  
156 voting shall be required for an action of the board of directors. The board shall meet quarterly  
157 and at other times as it shall deem necessary or upon the written request of 4 board members or

158 the chair. The chair of the board of advisors as established under section 7, the chair's designee  
159 or both may attend all such meetings as a nonvoting participant. Notice of all meetings shall be  
160 given to the board members, the chair of the board of advisors and to other persons who request  
161 such notice. The board shall adopt regulations establishing procedures related to its meetings,  
162 which may include electronic meetings and communications.

163 (f) The board shall annually elect 1 of the board members to serve as secretary. The  
164 secretary shall keep a record of the proceedings of the board and shall be the custodian and  
165 keeper of the records of all books, documents and papers filed by the board and of its minute  
166 book. The secretary shall cause copies to be made of all minutes and other records and  
167 documents of the board and shall certify that such copies are true copies, and all persons dealing  
168 with the board may rely upon such certification.

169 (g) The board shall appoint a chief executive officer of the Bank by a two-thirds vote of  
170 the full board. At the discretion of the chair of the board, the board may utilize a form of ranked-  
171 choice voting to ensure that the two-thirds threshold is satisfied. The chief executive officer shall  
172 not be a member of the board. If at any time, a majority of the board members shall declare a  
173 vote of no confidence in the current chief executive officer, the chief executive officer shall be  
174 terminated, and the board shall initiate the process of hiring a new chief executive officer  
175 immediately. In the case of an absence or vacancy in the office of the chief executive officer, or  
176 in the case of disability as determined by the board, the board may designate an acting chief  
177 executive officer by majority vote to serve as chief executive officer until the vacancy is filled,  
178 or the absence or disability ceases. Notwithstanding the provisions of any general or special law  
179 to the contrary, all board meetings regarding the hiring or termination of the chief executive  
180 officer or acting chief executive officer shall be executive sessions, and the voting records of the

181 directors at these meetings shall be kept confidential. The chief executive officer, acting chief  
182 executive officer, the chair of the board of advisors or any designee thereof shall not attend  
183 executive sessions.

184 The chief executive officer shall serve at the pleasure of the board, shall receive such  
185 salary as may be determined by the board and shall devote full time and attention to the duties of  
186 the office. The chief executive officer shall be a person with skill and experience in management  
187 and banking, shall be the executive and administrative head of the Bank and shall be responsible  
188 for administering and enforcing the provisions of law relative to the Bank and to the  
189 administrative units of the Bank. The acting chief executive officer shall have all of the powers  
190 and duties of the chief executive officer and shall have similar qualifications as the chief  
191 executive officer. The chief executive officer may, subject to the approval of the board, employ  
192 other employees, consultants, agents and advisors, including legal counsel and shall attend  
193 meetings of the board. The chief executive officer shall be responsible for all aspects of the  
194 Bank's management, including its physical facilities, investments, loan portfolio, accounting,  
195 risk management and regulatory compliance, as well as the drafting and subsequent execution of  
196 its Business Plan.

197 (h) (1) The Business Plan shall codify the Bank's strategy for achieving and maintaining  
198 sound and responsible operation while enhancing the economic well-being of the commonwealth  
199 and its citizenry. To the extent practical, the Business Plan shall be updated at least once every 4  
200 years. By approving a Business Plan, the board of directors shall be certifying that it complies  
201 with both the letter and the spirit of this chapter.

202 (2) The chief executive officer shall send the initial draft Business Plan to the chair of the  
203 board of advisors concomitantly with conveying it to the board of directors, but at least 30 days  
204 before the board of advisors' next scheduled quarterly meeting. The board of advisors shall  
205 immediately make it publicly accessible via the internet and publicly announce that it is available  
206 for public comment through the board of advisors' internet-based comments portal. Within 30  
207 days after said meeting, the chair of the board of advisors shall combine the board of advisors  
208 members' comments and suggestions, along with any public input that the board deems  
209 pertinent, into a concise list of recommended modifications to the Business Plan and distribute  
210 those recommendations to the members of the board of advisors and of the board of directors.  
211 The board of directors shall promptly convey these recommendations, together with any  
212 comments of its own, to the chief executive officer. The chief executive officer shall then  
213 prepare a new draft Business Plan taking these recommendations into account as the chief  
214 executive officer sees fit and convey it to the board of directors and board of advisors within 30  
215 days of the recommendations' receipt. This updated draft Business Plan shall be voted upon by  
216 the board of directors within 30 days of receiving the updated draft from the chief executive  
217 officer, at an ad hoc board of directors meeting if necessary. The board of advisors' comments  
218 and recommendations, together with the public's input from the board of advisors' meetings and  
219 from the comments portal and the approved Business Plan itself, shall be made publicly available  
220 via the internet.

221 (3) A Business Plan, once approved, may not be overridden by the board of directors  
222 except through a declaration of emergency, as described in section 5. If the board of directors  
223 disapproves a draft Business Plan, this process shall begin anew and be repeated until a Business  
224 Plan is approved. Upon the third consecutive disapproval of a draft Business Plan, the chief

225 executive officer who drafted those Business Plans shall be deemed to have been terminated by  
226 the board of directors, and the board of directors shall hire a new chief executive officer before a  
227 further draft Business Plan may be considered.

228 Section 5. Powers and Duties of the Board of Directors

229 The board of directors shall have all powers necessary or convenient to carry out and  
230 effectuate its purposes, including, but not limited to, the power to:

231 (a) approve of the Business Plan of the Bank, to ensure that the Plan pays due attention to  
232 the recommendations of the Bank's board of advisors and to monitor the Bank's subsequent  
233 compliance with the currently operative Plan. A two-thirds majority of the full board shall  
234 approve of the Business Plan to be considered approved by the board as a whole.

235 (b) keep the board of advisors of the Bank fully informed of the Bank's operations and  
236 loan portfolio and to convey the recommendations of the advisors to the chief executive officer.  
237 To this end, there shall be an annual joint meeting of the board of directors, the board of advisors  
238 and the chief executive officer. The chair of the board of directors shall preside over the joint  
239 meeting. When requested by a majority of the board of advisors as established in section 7, the  
240 board of directors shall schedule and hold a second joint meeting within the year.

241 (c) regularly review the Bank's financial statements and other records to ensure that it is  
242 in compliance with all applicable laws and regulations and with all reporting requirements under  
243 section 11.

244 (d) in the event of a natural or man-made disaster, to declare a state of emergency that  
245 requires the chief executive officer to override the currently operative Business Plan, in such

246 manner as the board of directors shall deem necessary to address and recover from the disaster.  
247 Seven members of the board of directors shall approve the declaration of emergency, following  
248 consultation with the chair of the board of advisors and shall specify a duration for the  
249 emergency of no more than 1 year. At the conclusion of a 1-year declaration of emergency, the  
250 board shall only approve an extension of the declaration of emergency by unanimous re-  
251 approval.

252 Section 6. Initial Organization Development

253 (a) The state treasurer shall appoint the initial board of directors within 120 days of the  
254 effective date of this Act.

255 (b) Four of the 8 initially-appointed members of the board of directors shall serve 2-year  
256 terms.

257 (c) The board shall elect its officers at its first meeting.

258 (d) The board chair shall publicly solicit applications for the chief executive officer  
259 immediately upon the board's appointment. The board shall expeditiously determine the  
260 applicant to hire.

261 (e) The chief executive officer shall cause to be drafted the initial Business Plan within 1  
262 year of being hired by the board of directors.

263 (f) The initial board of advisors shall be appointed within 90 days of the appointment of  
264 the initial board of directors. Of the advisors initially appointed by the governor, 8 shall serve 2-  
265 year terms and the remaining 8 shall serve 4-year terms, with half the appointees from each  
266 category to serve each length term.

267 Section 7. Appointment and Duties of the Board of Advisors.

268 The board of advisors shall consist of 18 members, 1 of whom shall be the lieutenant  
269 governor or the lieutenant governor's designee and 1 of whom shall be the director of the  
270 community development department at the Federal Reserve of Boston or that person's designee.  
271 The governor shall appoint the remaining 16 members for 4-year terms. The governor shall make  
272 appointments from persons nominated by entities or organizations representing the following  
273 categories of concern, taking 2 persons per category of concern except where 1 person is  
274 indicated, with a limit of 1 candidate per nominating entity: (1) state-chartered depository  
275 institutions or credit unions that derive over 90 per cent of their deposits in-state, or associations  
276 representing predominately these entities; (2) community development finance institutions and  
277 community development organizations that focus primarily on supporting economic  
278 development in the commonwealth, including, but not limited to, rural and economic cooperative  
279 models and worker-owned enterprises; (3) entities organized under 26 U.S.C. 501(c)(3) to  
280 support underserved neighborhoods; (4) associations representing the interests of small business  
281 entities, particularly businesses owned by cognizable groups currently receiving less credit than  
282 proportional to their size or serving in areas operating in underserved neighborhoods; (5) 1  
283 appointee each from the following entities organized under 26 U.S.C. 501(c)(3) to support the  
284 following ends: (i) sustainable agriculture; (ii) food security; (iii) climate change amelioration  
285 and environmental finance and (iv) environmental justice; (6) municipalities, as represented  
286 singly, by state-based associations of municipalities or by state-based chapters of municipal  
287 planners or professionals; (7) organizations in which employees or workers participate and which  
288 exist for the purpose, in whole or in part, of representing the interests of workers concerning  
289 grievances, labor disputes, wages, rates of pay, hours of employment or conditions of work. The

290 governor shall appoint 1 person from an organization in category (7) that represents low-income  
291 workers.

292 The terms of members of the board of advisors shall be staggered: one-half of the board's  
293 membership, consisting of 1 nomination from each category of concern shall terminate at 2-year  
294 intervals. In order to submit a nomination, an entity or organization shall have been in existence  
295 for at least 4 years. The governor's nominations and determinations shall be public, and the  
296 Bank shall post them on the Bank's website.

297 (b) The board of advisors shall elect its own chair. An election shall take place whenever  
298 (1) a chair's term on the board of directors ends without reappointment or (2) 4 or more members  
299 of the board of directors shall call for an election. The board of advisors shall meet quarterly to  
300 review the Bank's activities, including, but not limited to, the Bank's initial draft Business Plan.  
301 These meetings shall be staggered with the board of directors' quarterly meetings, so that the 2  
302 are separated by at least 30 days; provided, however, that the board of advisors' quarterly  
303 meetings shall include the annual joint meeting and, when requested, a second joint meeting with  
304 the board of directors and the chief executive officer. The board of advisors' meetings shall be  
305 open to the public, publicized at least 30 days in advance and shall offer concerned citizens the  
306 opportunity to provide input on the board of advisors' deliberations or to make proposals  
307 regarding future initiatives for the Bank's consideration. The board of advisors shall also engage  
308 in an interactive discussion with the board of directors and the chief executive officer at their  
309 annual joint meetings, which shall likewise be open to the public.

310 The public shall further be able to provide input to the board of advisors on an ongoing  
311 basis through an internet-based comments portal. The board of advisors shall give the public's



312 input due consideration at its quarterly meetings. The board of advisors shall set up the  
313 comments portal within 30 days of the initial appointment of the board of advisors and shall  
314 provide the board of directors as well as the chief executive officer and staff full access to the  
315 input residing on the comments portal as that input is submitted to it by the public. The chair of  
316 the board of advisors shall be responsible for setting up and managing the comments portal as  
317 well as preparing and maintaining the minutes and other documents. The chair shall convey the  
318 minutes of and the recommendations from the board of advisors' meetings to the board of  
319 directors in writing at most 30 days after each meeting and shall ensure that these minutes and  
320 recommendations, together with the contents of the comments portal before each meeting,  
321 excluding spam and abusive postings, are accessible to the public via the internet.

322 (c) The members of the board of advisors may be reimbursed for travel and other  
323 expenses incurred in preparing for and attending the meetings. This reimbursement may include  
324 a stipend for members not otherwise compensated for their time by an employer. These and all  
325 other expenses incurred by the board of advisors in fulfilling its obligations, including the  
326 comments portal, shall be paid for from the Bank's operating budget. The chair of the board of  
327 advisors shall be responsible for the invoicing and payment of these expenses, including  
328 management, equipment and supplies costs this may entail.

329 Section 8. Capitalization.

330 (a) The commonwealth shall make a \$200,000,000 initial equity investment for the Bank  
331 under the schedule set forth in subsection (b). That amount shall be funded by direct legislative  
332 appropriation or, at the discretion of the general court, by use of the Commonwealth Stabilization  
333 Fund established under section 2H of chapter 29.

334 (b) The general court shall appropriate \$50,000,000 to the Bank in fiscal year 2022,  
335 \$50,000,000 in fiscal year 2023, \$50,000,000 in fiscal year 2024 and \$50,000,000 in fiscal year  
336 2025.

337 (c) The board of directors may decide to allocate a portion of the Bank’s initial capital  
338 and retained earnings between the Bank and its affiliates, established under section 3(e) under  
339 the same terms governing other state-chartered depository institutions.

340 Section 9. Deposits.

341 (a) The state treasurer, along with the Bank’s board of directors and its chief executive  
342 officer, shall determine when the Bank has sufficient capacity to receive public funds. Following  
343 that date, the state treasurer shall deposit state funds in the Bank sufficient to maintain a  
344 Minimum Average Annual Balance. The transfer of deposits shall be coordinated with the  
345 appropriation of bank capital pursuant to sections 8(a)-(b), such that for each \$50,000,000 in  
346 appropriated capital, the state treasurer shall transfer deposits to the Bank amounting to one-  
347 fourth or other fraction depending on the capitalization schedule of the MAAB. The state  
348 treasurer shall have 3 months to complete these transfers.

349 (b) The state treasurer’s maintenance of the MAAB in the public bank shall be achieved  
350 by reducing the average annual cash equivalents held in the Massachusetts Municipal Deposit  
351 Trust. The state treasurer shall not reduce the amount of deposits maintained in the “Move  
352 Money” program.

353 (c) During the course of the year, the state treasurer shall be free to use deposits in the  
354 Bank to make payments; provided, however, that (1) deposits kept during other parts of the year  
355 shall sufficiently exceed the MAAB, such that the MAAB amount shall be maintained

356 throughout the year; and (2) the state treasurer shall consult with public bank staff to devise  
357 procedures to prevent disruptions to the public bank's liquidity position.

358 (d) Given that the commonwealth is the sole shareholder of the Bank, the Bank shall not  
359 pay interest on the commonwealth's deposits; provided, however, that the Bank shall pay interest  
360 to cities and towns with deposits held at the Bank at rates that the Bank sets.

361 (e) After the Bank is well established, has a record of sound operation, and the state  
362 treasurer, the board of directors and its chief executive officer have deemed the Bank to have the  
363 requisite capacity, the board of directors and chief executive officer may agree to accept  
364 deposits of funds from the commonwealth, cities, towns and quasi-public entities that have a  
365 maturity of over 180 days.

366 (g) Nothing in this provision shall derogate from the Bank's powers to incur non-deposit  
367 liabilities, including, but not limited to, money market borrowing, Federal Reserve borrowing,  
368 capital market borrowing or its other powers under section 3.

369 Section 10. State Guarantee.

370 All deposits and other liabilities of the Bank shall be guaranteed by the full faith and  
371 credit of the commonwealth.

372 Section 11. Sound Operation and Reporting.

373 Provided that the primary goal of the Bank is to increase access to affordable financing in  
374 underserved communities and to under-resourced enterprises conducted to benefit the  
375 commonwealth, the board of directors shall operate the Bank to ensure its soundness and

376 sustainability. According to the board of directors' determination, the Bank's annual monetary  
377 return may be provided to the commonwealth or reinvested in the capital of the Bank.

378 (a) Annually, the state treasurer shall publicly issue financial reports on the Bank to the  
379 governor and to the clerks of the house of representatives and senate. An external party shall  
380 audit these reports.

381 (b) Annually, the state treasurer shall publicly report the current and average amount of  
382 cash and cash equivalents held by the commonwealth to the governor and to the clerks of the  
383 house of representatives and senate. Under section 2 the reported amounts shall be used in the  
384 calculation of the updated MAAB.

385 (c) The chief executive officer and board of directors shall maintain records of all  
386 banking transactions and amounts throughout the year.

387 (d) The Bank shall submit an annual public report to the state treasurer, describing the  
388 economic benefits of its activities to the commonwealth. In the report, the Bank shall include:

389 (1) Analysis of the extent to which it was able to meet priorities listed in section 13.

390 (2) For each type of eligible recipients specified under section 12 subsections (a) through  
391 (l), the number of recipients to whom the bank extended affordable financing and the total  
392 amount of the Bank's regulatory capital dedicated to each type of eligible recipient.

393 (3) A description of the main forms of affordable finance extended by the Bank in the 14  
394 counties of the commonwealth.

395 (e) The Bank shall file an annual report on the compensation paid by the Bank to the  
396 board of directors, the chief executive officer and other bank officers.

397 (f) The Bank shall be subject to chapter 66; provided however, that: (1) the Bank shall  
398 not rely on subclause (d) of the 26th paragraph of section 4 of chapter 7 to deny a public records  
399 request; and (2) the Bank shall not be required to reveal the identity of an eligible recipient as  
400 defined in section 12 or information containing an eligible recipient's financial data.

401 Section 12. Eligible Recipients.

402 The Bank shall use its powers to extend affordable financing to the following eligible  
403 recipients:

404 (a) Public or quasi-public entities, including, but not limited to, cities or towns located  
405 within the commonwealth, enterprises managed in whole or in part by cities or towns and public  
406 or quasi-public entities located in and primarily serving the commonwealth;

407 (b) Nonprofit organizations that are exempt from federal taxation under 26 U.S.C.  
408 501(c)(3), whose primary goal is to benefit the commonwealth or its residents through  
409 community development;

410 (c) Land trusts;

411 (d) Entities operating as, or transitioning to be cooperatives, including, but not limited to,  
412 housing, worker and consumer cooperatives, employee stock ownership plans and worker-owned  
413 cooperative enterprises;

414 (e) Entities created by financial institutions that pool funds to lend for affordable housing  
415 development;

416 (f) Developers of housing or preservation projects, only when all entities financing the  
417 project invite the Bank to participate with gap financing;

418 (g) State-chartered depository institutions, to the extent that the affordable financing  
419 extended to these institutions is used to support the other eligible recipient in this provision;

420 (h) In-state community development corporations, community development financial  
421 institutions or investment vehicles set by the latter to facilitate investment;

422 (i) Smaller business enterprises, defined as in section 2 and doing business primarily in  
423 the commonwealth, that offer sustainable business plans and merit credit but are unable to  
424 procure affordable financing from other Massachusetts banks with or without participation by the  
425 Bank;

426 (j) Small- and medium-sized farms and related industries.

427 (k) Conduits or investment vehicles created for the primary purpose of supporting other  
428 eligible recipients listed in this section.

429 Section 13. Affordable Financing.

430 The term “affordable financing” shall include the following types of finance, all to the  
431 extent consistent with the Bank’s authorities in section 3(a) and subject to general banking  
432 regulations set by the commissioner:

433 (a) For all eligible recipients listed in section 12:

434 (1) The provision of credit and loans, including long-term loans and unsecured loans. The  
435 Bank may

436 employ underwriting methods which are flexible in their criteria, terms and uses and shall  
437 provide loans at affordable rates;

438 (2) The provision of letters of credit, guarantees, subordinate loans and other forms of de-  
439 risking for the purpose of crowding-in additional financing by non-Bank sources;

440 (3) The provision of technical assistance;

441 (b) For the eligible recipients listed in Section 12, subsections (c), (e), (h) and (k), the  
442 term “affordable financing” shall additionally include the following:

443 (1) The provision of equity financing, including preferred stock, common stock, equity  
444 equivalent capital and other hybrid instruments;

445 (2) The provision of grants, donations and contributions, including grants given over a  
446 period of years (such as those for technical assistance) to provide predictability for eligible  
447 recipients;

448 (2) The other activities permissible to the Bank under section 3(a).

449 (c) Nothing in this provision is meant to derogate from the Bank’s powers under section  
450 3(a) to hold assets necessary for its liquidity management.

451 Section 14. Bank Priorities.

452 Without derogating from the Bank’s powers under sections 12 and 13 in formulating its  
453 Business Plan, the Bank shall give priority to the following considerations:

454 (a) Supporting eligible recipients subject to the historic and current economic inequities  
455 by communities in underserved neighborhoods, including, but not limited to, enterprises  
456 established by residents there, as well as eligible recipients working to remedy those inequities;

457 (b) Supporting eligible recipients subject to the historic and current economic inequities  
458 experienced by women throughout the commonwealth;

459 (c) Supporting rural business and farming concerns;

460 (d) Supporting businesses with compensation structures that provide a livable wage,  
461 establish an equitable ratio between the least- and highest-paid members of the business or  
462 otherwise demonstrate a commitment to equitable pay.

463 (e) Supporting entities that address the impacts of climate change and the reduction of  
464 greenhouse gases.

465 (f) Funding the need of cities and towns in the commonwealth to update and build safe  
466 and sustainable infrastructure.

467 (g) The Bank shall seek to complement and support the operation of public and quasi-  
468 public agencies, non-profit organizations, Massachusetts banks and community development  
469 financial institutions and community development corporations. The Bank shall partner rather  
470 than compete with those entities to strengthen them and to expand affordable financing in the  
471 commonwealth.

472 (h) To the extent possible, the Bank's provision of lending and de-risking under section  
473 13(a) shall be conducted through participation lending programs, with these institutions  
474 originating and servicing the loans.

475 (i) The bank shall promote equitable distribution of Bank resources across the  
476 commonwealth, including ensuring that rural areas of the commonwealth are given full and fair  
477 consideration.



478 (j) Provided that certain smaller towns in the commonwealth have scant resources for  
479 administrative staff, the Bank shall make every effort to make the application process for these  
480 towns as simple and affordable as possible.

481 Section 15. Conflicts of Interests.

482 (a) The Bank shall not transact with or extend financing to a member of the board of  
483 directors, the chief executive officer or an officer of the Bank, including an immediate family  
484 member of that person as defined in section 1 of chapter 268A or an entity in which that person  
485 has an interest. This prohibition shall remain in effect for 4 years after the conclusion of the term  
486 of the board member, chief executive officer or another officer of the Bank.

487 (b) The Bank shall not transact with or extend financing to a member of the board of  
488 advisors, including an immediate family member of that person as defined in section 1 of chapter  
489 268. Nothing in this provision shall prevent the Bank from transacting with or extending  
490 financing to an entity with which a member of the board of advisors is associated.

491 Section 16. Liberal Construction.

492 The provisions of this chapter shall be interpreted and construed liberally in aid of its  
493 declared purpose.

494 SECTION 2. Section 38 of chapter 29 of the General Laws is hereby amended by adding  
495 the following subsection:-

496 (j) In the Massachusetts Public Bank established under chapter 10A.

497           SECTION 3. Notwithstanding any general or special law to the contrary, the  
498 capitalization amounts set forth in section 8 of this act shall be available to the Bank by fiscal  
499 year 2025, subject to appropriation.