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## TOWN OF WHATELY MASSACHUSETTS

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### SELECTBOARD

April 15, 2020

Representative Robert DeLeo  
Speaker of the Massachusetts House of Representatives  
24 Beacon Street  
Room 356  
Boston, MA 02133

Senator Karen Spilka  
President of the Massachusetts Senate  
24 Beacon Street  
Room 332  
Boston, MA 02133

Dear Speaker DeLeo and President Spilka:

At its meeting on March 11, 2020, the Whately Selectboard unanimously authorized me to send this letter declaring its support for H935, “An Act Establishing the Massachusetts Infrastructure Bank,” authored by Representative Connolly (Cambridge) and co-sponsored by eleven representatives.

The proposed infrastructure bank is a type of “public bank” owned by a public entity (in this case the Commonwealth), under government control, and mandated to facilitate defined types of transactions. As its name provides, H935 focuses its efforts on mitigating chronic deficiencies in our public infrastructure, including, of great importance to us in Western Massachusetts, farmland preservation, public land management, and even climate change mitigation. These issues are not new to anyone in the Commonwealth, unfortunately, neither is the ongoing difficulty in paying for them. What *is* new in H935 is the concept of paying for these projects by harnessing the power of our already existing banking system to fund an extraordinary public need.

The infrastructure bank will use the private banking model to accomplish its purposes, as follows:

1. The bank will be owned by the Commonwealth; therefore, there will be no need to divert its profits to private shareholders; all interest and other income will be used either for more loans to municipalities or returned to the Commonwealth.
2. The bank will have no branches, no ATM machines, no private customers—all of which cost money to accommodate. Salaries of top executives will be more in line with those of current state employees.
3. Loans will not be prioritized by return, but rather by municipal infrastructure needs, and subject to appropriate underwriting criteria.
4. Because of the above three restrictions, the infrastructure bank will be able to lend to municipalities at lower interest rates, thereby allowing them to complete projects they could not afford previously.
5. The bank will be administered by a Board of Directors who will represent both *small* and large municipalities and *all* regions of the Commonwealth—this is very important in Western Massachusetts. Directors will be experts in commercial and investment banking, as well as economic development, education, economics, labor, and the like. The bank will be audited annually; all audit reports will be made public.
6. The bank will work cooperatively with other state agencies, quasi-public agencies, community banks, and non-profits. In this regard, H935 specifically lists MassDevelopment, MassWorks, Mass Housing Investment Corp., Mass Ventures the Business Development Corp., and the Mass Growth Capital Corp. as entities with which the bank could cooperate, at their election, to further their individual mandates.

Especially important to those of us in smaller towns, the infrastructure bank will fill the “middle need” in lending. We have never completed any large projects (>\$10MM), but if we did financing would likely be available through the bond market. We currently fund our smaller projects (<\$500,00) by cash, grants, or loans from community banks, but we have difficulty with those in the middle. It is here where the infrastructure bank, either working alone or in conjunction with community banks or providing the match for grants, will be extraordinarily useful.

For example, here in Whately we have been saving our Chapter 90 funds for years to fund the gap between what we can secure from MassDOT (\$500,000+/-) and the actual cost (\$680,000+/-) of the Williamsburg Road Bridge Replacement Project. Were we able to have borrowed this \$180,000+/- from a public infrastructure bank, at favorable interest rates with a simple application form and

standardized underwriting criteria, we would have saved limited staff resources and used our Chapter 90 funds for other important projects.

The idea of a public bank is neither new nor radical. North Dakota has enjoyed a public bank (NDB) since 1919, established during the Progressive Era to aid farmers secure loans which at the time were tough to come by. The NDB has been safe and profitable ever since, reinvesting or delivering funds back to the state. The NDB specifically supports local commercial banking (in fact, according to the Institute for Local Self Reliance, North Dakota has more banks and credit unions per capita than any other state). And the idea of a public bank is spreading in the US; California just passed public bank legislation allowing cities and counties to set up their own public banks: the cities of Portland, Oregon; Seattle, Washington; Los Angeles, San Francisco, and Oakland, California (to take advantage of the new legislation); Philadelphia, Pennsylvania; Santa Fe, New Mexico; and Washington, DC. are all considering the move.

Setting up and operating the bank will be relatively straightforward. H935 calls for the state to capitalize the bank with a one-time investment of \$50MM, and commit to deposit \$350MM in current cash, cash equivalents or short-term deposits, a small fraction of total Commonwealth deposits in large money center banks who then lend these funds around the world for all sorts of projects, returning low interest rates to the Commonwealth. The infrastructure bank would lend its funds only within our state and only for infrastructure projects; interest on these deposits would at least equal those available commercially and may be higher.

It is for all the above reasons that we support the concept of a public bank in the Commonwealth and urge your support of H935 as well.

Sincerely,

A handwritten signature in black ink that reads "Joyce Palmer-Fortune". The signature is written in a cursive, flowing style.

Joyce Palmer-Fortune

Whately Selectboard Chairperson

cc. Natalie Blais, Representative, 1<sup>st</sup> Franklin District  
Jo Comerford, Senator, Hampshire, Franklin & Worcester District  
Mike Connolly, Representative, 26<sup>th</sup> Middlesex District  
James B. Eldridge, Senator, Middlesex and Worcester District  
Charlie Baker, Governor of the Commonwealth of Massachusetts