

Move our Money model bill

Developed by the Service Employees International Union
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Description. Relating to the procurement of banking and financial services by the state and local government units. This bill:

1. Requires the State and local governments to give State financial institutions [and/or banks with assets less than \$10 billion] a preference over the other bids or proposals submitted to provide banking or financial services.
2. Requires state agency accounts wherever possible to be held in community banks.

Add-on provisions for fair lending and community investments, interest-rate swaps, and long-term investment policy are included at the bottom of the bill.

State Banking and Procurement

- A. In this section, "state financial institution" means a financial institution that is incorporated under the laws of this state [and/or with assets less than \$10 billion] and has its principal place of business in this state.
- B. When evaluating competing bids or proposals submitted by financial institutions to provide banking or financial services to the state or a state agency, the Treasurer shall, with respect to any bid or proposal submitted by a state financial institution, multiply the bid price or proposal price by a factor of 0.9.

Local Government

- A. When evaluating competing bids or proposals submitted by financial institutions to provide banking or financial services or other such incidental or closely related services necessary to carry out the business of banking to a local government unit, the local government shall, with respect to any bid or proposal submitted by a state financial institution, multiply the bid price or proposal price by a factor of 0.9.

State Agency accounts and Off-budget Funds

- A. A state agency shall not open a new deposit account or deposit money in an existing deposit account unless it has submitted a request to the state [officer or agency] in writing on forms prescribed by the state treasurer for each such account.
- B. Wherever possible, each new deposit account shall be opened with a community bank, and existing deposit accounts shall be transferred to a community bank no later than August 1, 2010.

Additional policy options

Foreclosure prevention, community investment

Requires all banks and financial institutions that provide banking and financial services to comply with state community investment standards.

- A. The [agency or officer] shall have the authority to restrict or terminate financial relationships with those institutions that fail to comply with these new reporting requirements, in a manner consistent with federal, state, and local laws.
- B. All banks and financial institutions that provide banking and financial services to the government shall notify [agency or officer] at least 90 days prior to closing any bank branches within the [state, county, city].
- C. No contracts for financial or banking services shall be awarded to any bank or financial institution that has exhibited a pattern of discriminatory or other illegal credit practices, or has committed past criminal or civil violations that have resulted in significant harm to the financial interests of [state, county, city].
- D. [Agency or officer] shall include in RFP/RFQs for banking services a provision that provides additional bid preference, consistent with current law, to those respondents that provide evidence of active community investment practices beyond traditional banking services.

Interest rate swaps

Requires governments to end interest rate swap agreements. Banks sold local and state governments "interest rate swaps" locking governments into high rates. But banks now borrow at rates near zero from the Federal Reserve, causing local and state governments to waste millions of dollars in years of deep budget cuts.

- A. The State and local governments shall enforce a moratorium on any new swap deals, and renegotiate or cancel current interest rate swap transactions at no cost to the State and local governments.
- B. The responsible agency shall report to the legislature on this matter by June 30, 2010.

Investment board policy

Requires state investment boards where possible to increase investment in community banks that provide capital to small businesses.

- A. Consistent with sound investment policy and in accordance with the procedures and processes employed to oversee the allocation of traditional investment of funds, and notwithstanding any other general or special law to the contrary, the [investment boards] shall ensure that funds of not less than \$X are invested in state financial institutions which directly or through any subsidiary or affiliate provide capital to [state] small businesses.
- B. The State shall issue guidelines defining what constitutes a small business within the meaning of this section.