

**SENATE . . . . . No. 693**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Susan L. Moran***

*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 establishing a public bank of Massachusetts to support economic development.

PETITION OF:

NAME:

*Susan L. Moran*

DISTRICT/ADDRESS:

*Plymouth and Barnstable*

**SENATE . . . . . No. 693**

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By Ms. Moran, a petition (accompanied by bill, Senate, No. 693) of Susan L. Moran for legislation to establish a public bank of Massachusetts to support economic development. Financial Services.

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**The Commonwealth of Massachusetts**

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**In the One Hundred and Ninety-Third General Court  
(2023-2024)**  
\_\_\_\_\_

An Act establishing a public bank of Massachusetts to support economic development.

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

1           The General Laws are hereby amended by inserting after Chapter 40X the following  
2 chapter:-

3           Chapter 40Y: BANK OF MASSACHUSETTS

4           Section 1. For the purposes of this chapter the following words and terms shall, except  
5 where the context clearly indicates otherwise, have the following meanings:

6           “Board”, the Board of Directors of the Bank of Massachusetts.

7           “Capital Participation Instruments”, purchase of stock, both common and preferred,  
8 convertible securities, warrants, subscriptions, options to acquire, capital loans, and working  
9 capital or inventory loans, royalties, and other lawful derivations of the foregoing.

10 “Public Bank” or “Bank” or “Bank of Massachusetts”, a state-chartered financial  
11 institution able to make loans and float bond issues to protect and expand the quality of life and  
12 economic prosperity of all Massachusetts residents, as defined in section 3.

13 “Equity Instruments”, any of the following types of investment activity: (a) a purchase of  
14 stock; (b) a purchase of a partnership interest; (c) a purchase of a limited liability company  
15 membership interest; or (d) a loan made on such terms that it has sufficient characteristics of  
16 equity.

17 “Financial Products”, loans, equity investments and other similar financing activities  
18 including, but not limited to, the purchase of loans, the provision of loan guarantees, or the  
19 provision of surety bond guarantees.

20 “Small Business”, a business entity, including its affiliates, that (a) is independently  
21 owned and operated; (b) has a principal place of business in the commonwealth; and (c) would  
22 be defined as a "small business" under applicable federal law, as established in the United States  
23 Code and promulgated from time to time by the United States Small Business Administration.

24 “Infrastructure”, financing activities related to capital projects; public buildings,  
25 structures, and public spaces and land; local roadways, bike paths, and pedestrian walkways;  
26 public services such as police, fire, emergency health and disaster-related systems; adaptation  
27 and resiliency in the face of climate change; farmland preservation; public land management;  
28 modifications of public buildings and spaces for differently-abled residents; public digital  
29 infrastructure inclusive of data, software and mechanisms including but not restricted to wireless  
30 broadband infrastructure; wired broadband infrastructure; broadband infrastructure to support  
31 other technologies, including telehealth, telemedicine, e-government, and educational

32 opportunities at home; unless clearly indicated otherwise or as defined by the Board of Directors  
33 of the Bank of Massachusetts.

34 Section 2. The Bank shall foster economic development by providing capital access to  
35 underbanked populations, industries, small-business, public-private partnerships or local  
36 governments for development of infrastructure and business, incorporating broader public  
37 benefits in the climate, equity, health, clean water, and education.

38 The Bank will deliver outcomes to achieve the aforementioned goals including but not  
39 restricted to the following specific outcomes:

40 To expand credit, liquidity and the supply of money, increasing local lending within  
41 Massachusetts communities and regions that are expanding local businesses;

42 To reduce costs paid by Massachusetts towns, municipalities and counties for access to  
43 capital;

44 To create and expand socially responsible enterprises that work toward Massachusetts  
45 community needs and goals;

46 To offer Massachusetts INFRASTRUCTURE including but not restricted to financing for  
47 communities' water, sewer, transportation, road, rail, bridge, electrical, cable, broadband,  
48 telephone conduit and public utility loans;

49 To lessen stress on those who have to pay college loans by offering college debt  
50 refinancing at lower rates for Massachusetts residents;

51 To provide growth capital for strategic, underfunded new industries in Massachusetts,

52 To reduce the tax burden of debt service costs in local towns and municipalities in  
53 Massachusetts to pay for capital improvements by issuing and refinancing debt at lower interest  
54 rates;

55 To lower inequality in the concentration of wealth in Massachusetts;

56 To provide affordable financial services and guidance to small businesses to convert to  
57 inclusive employee ownership models;

58 To capitalize solar energy, wind energy and other renewable energy projects that reduce  
59 carbon emissions in Massachusetts;

60 To provide higher returns than commercial banks on investments of taxpayer funds in  
61 Massachusetts;

62 To provide programs to develop commercial and industrial enterprises that do not harm  
63 the environment, raise carbon emissions or increase the rate of climate change in Massachusetts;

64 To provide greater income opportunities and affordable housing availability to enable  
65 Massachusetts residents to obtain shelter to reduce homelessness.

66 Section 3. (a) The Bank shall be led by a Chief Executive Officer (CEO) and Chief  
67 Operating Officer (COO), which shall be appointed by a majority vote of the Governor,  
68 Massachusetts State Treasurer, and Secretary of the Commonwealth from a list of names  
69 submitted by the Board of Directors as established in section 4.

70 (b) The CEO shall have an indefinite tenure and the COO shall be appointed for a ten  
71 (10) year period, with the potential to be renewed once.

72 (c) The CEO and COO may only be removed from by vote of 2/3 of the members of the  
73 Board of Directors, subject to providing “legitimate business grounds” at the least, in writing by  
74 said authority including, but not limited to, insubordination, neglect of responsibilities, and lack  
75 of productivity.

76 (d) The CEO shall also have the power to appoint or delegate the appointment of all other  
77 Bank company employees.

78 (e) The Bank shall have a Chief Financial Officer (CFO), who shall be appointed by the  
79 CEO subject to approval by the Bank Board of Directors. The CFO may only be removed only  
80 by the CEO for just cause.

81 Section 4. (a) The Bank shall be governed and its corporate powers exercised by a Board  
82 of Directors, which shall consist of 10 members, 1 of whom shall be the Massachusetts State  
83 Treasurer & Receiver General who shall serve as chair, and 9 of whom shall be appointed by the  
84 majority vote of a committee consisting of the governor, the senate president, the speaker of the  
85 house of representatives, who will ensure one of each appointment from a major organization  
86 representing the following groups: Minorities, Women, Low-income populations, Historically  
87 Under-funded Towns or Municipalities, Emerging Industries, Institutions of Higher-learning and  
88 Thought-leadership in Banking and ESG investment.

89 (b) Each member shall serve a term of 5 years, except that in making initial appointments  
90 the committee shall appoint 2 members to serve for a term of 1 year, 2 members to serve for a  
91 term of 2 years, 1 member to serve for a term of 3 years, 2 members to serve for a term of 4  
92 years and 2 members to serve for a term of 5 years.

93 (c) A person appointed to fill a vacancy in the office of a member shall be appointed in a  
94 like manner and shall serve for only the unexpired term. A member shall not be eligible for  
95 reappointment. A member may only be removed from the member's appointment by the  
96 governor for good cause. The members shall annually elect 1 director as vice-chair and designate  
97 a secretary-treasurer who need not be a member. The secretary-treasurer shall keep a record of  
98 the proceedings of the Bank and shall be the custodian of all books, documents and papers filed  
99 with the bank, the minute books of the Bank and of its official seal.

100 (d) A minimum of 5 of the members of the Board shall constitute a quorum and 5  
101 affirmative votes shall be necessary for the transaction of business or the exercise of a power or  
102 function of the Board. Each member shall be entitled to reimbursement for the director's actual  
103 and necessary expenses incurred in the performance of the director's official duties.

104 (e) The Bank, its Board, officers and employees shall be subject to sections 1 to 4,  
105 inclusive, of chapter 268A except that the corporation may purchase from, sell to, borrow from,  
106 loan to, contract with or otherwise deal with a person in which a member of the Board is  
107 interested or involved; provided, however, that such interest or involvement is disclosed in  
108 advance to the Board and recorded in the minutes of the Board; provided, further, that no  
109 member having such an interest or involvement may participate in a decision of the Board  
110 relating to such person. Employment by the commonwealth or service in an agency of the  
111 commonwealth shall not be deemed to be such an interest or involvement.

112 (f) The Board of Directors shall meet at least quarterly. Meetings shall be open to the  
113 public and meeting minutes shall be posted publicly.

114 Section 5. The Bank shall operate as a capital support system. This capital support shall  
115 in general, provide capital participation instruments, equity instruments, infrastructure, and  
116 financial products.

117 The Bank shall provide support for underbanked populations, industries or local  
118 governments for development of infrastructure and business, incorporating broader public  
119 benefits in the climate, equity, health, clean water, education.

120 The Bank shall establish Pledge and Credit Facilities.

121 The Bank shall have the authority to pledge its loans to the discount window of the Board  
122 of Governors of the Federal Reserve System.

123 The Secretary may, subject to amounts provided in advance by appropriation Acts,  
124 purchase obligations issued by Bank in the same manner and under the same requirements that  
125 the Secretary purchases obligations under Federal Home Loan Mortgage Corporation Act.

126 The Bank shall ensure prudent leverage limitation and seek to maintain risk-based capital  
127 at no less than ten (10) percent.

128 The Bank may also:

129 (a) Purchase interests in state-based participation loans made or held by other banks,  
130 other financial institutions or other entities that meet underwriting standards accepted by state or  
131 federal financial regulatory agencies; and

132 (b) Make participation loans to qualified entities doing business in this State when the  
133 loan originator is a private financial institution.



134 (c) Buy and sell securities the Bank has issued or guaranteed or in which it has invested.

135 (d) Guarantee securities in which it has invested in order to facilitate their sale.

136 The Bank shall invest its funds in conformity with the policies of the Board and  
137 investment standards outlined in Section 8 and Section 9.

138 Section 6. (a) The Bank shall upon its incorporation have such capital structure as the  
139 Board shall deem adequate. Such capital structure may vary by the Board based on the  
140 application and business plan submitted.

141 (b) The commonwealth or its agencies may capitalize the Bank with an initial investment  
142 of capital in the range of \$2,000,000,000 as an equity investment from the pension fund or from  
143 a direct legislative appropriation.

144 (c) The Massachusetts State Treasurer shall have oversight and supervisory authority  
145 over the Bank in order to ensure the safe and sound operation of the Bank. The Massachusetts  
146 State Treasurer shall oversee and supervise the issuance of bonds by the Bank, in order to ensure  
147 the safe and sound financing of the Bank. The Massachusetts State Treasurer may consult with  
148 the Massachusetts Division of Banks and other state agencies as deemed appropriate.

149 (d) To meet the expenditures necessary in carrying out section 5, the State Treasurer  
150 shall, upon request of the governor, issue and sell bonds of the commonwealth in an amount to  
151 be specified by the governor from time to time but not exceeding, in the aggregate,  
152 \$2,000,000,000. All such bonds issued by the commonwealth shall be designated on their face,  
153 "An Act Establishing a Public Bank of Massachusetts" Bank and shall be issued for a maximum  
154 term of years, not exceeding 10 years, as the governor may recommend to the general court

155 under section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth.  
156 The bonds shall be payable not later than DATE. All interest and payments on account of  
157 principal on these obligations shall be payable from the General Fund. Bonds and interest  
158 thereon issued under this section shall, notwithstanding any other provision of this act, be general  
159 obligations of the commonwealth.

160 (e) The Bank may accept deposits of government assets and funds from any state public  
161 institution. The Bank may pay interest on deposits of public funds and may offer other financial  
162 products to the State Treasurer and other public institutions.

163 (f) The Bank shall receive as deposits all funds or property escheated to or subject to the  
164 custodial taking of that state, which have been surrendered to the State Treasurer under  
165 provisions of chapter 200A.

166 (g) The Bank may raise funds through a common stock offering or debt issuance to the  
167 general public for the capitalization of the Bank or to facilitate continued growth.

168 (h) The Bank may receive any loan, grant, or award provided by federal or state  
169 government programs, for the capitalization of Bank banking, investment activities or to  
170 facilitate continued growth.

171 Section 7. (a) The Bank shall not undertake commercial or investment banking activities  
172 and shall not accept customer deposits nor engage in financial or investment banking activities  
173 such as trust management or underwriting securities.

174 (b) The Bank may not merge with any privately owned enterprise or institution;

175 (c) The Bank may not capitalize projects whose borrowers have histories of human rights  
176 abuse or other malfeasance.

177 Section 8. Within 180 days of enactment, the Board of Directors shall establish bylaws,  
178 policies, and procedures governing the operations of Bank not addressed specifically by the  
179 legislation.

180 Section 9. (a) The state auditor shall conduct an annual audit of the Bank in accordance  
181 with generally accepted government auditing standards. The state auditor shall audit annually or  
182 contract for an annual audit of the separate programs and funds administered by the Bank.

183 (b) The auditor shall prepare an audit report that includes financial statements presented  
184 in accordance with the audit and accounting guide for banks and savings institutions issued by  
185 the American institute of certified public accountants. The auditor also shall prepare audited  
186 financial statements for inclusion in the comprehensive annual financial report for the state. The  
187 auditor shall report the results of the audit to the State Treasurer and to the legislative assembly.  
188 The Bank shall pay the costs of the audit.

189 (c) The Commissioner of Banks shall examine the Bank at least once each 24 months and  
190 conduct any investigation of the Bank which may be necessary. The Commissioner shall report  
191 the examination results, and the results of any necessary investigation, to the State Treasurer as  
192 soon as practicable and to the General Court.

193 (d) In addition to its purposes under as a business corporation, the Bank shall have the  
194 purpose of creating general public benefit that achieve the identified goals of the Bank in section  
195 2. The Board will identify benefits that it is the purpose of the Bank to create in addition to its  
196 purpose as a business corporation. The Board shall adopt a written benefit policy that includes

197 reporting metrics as well as procedures and file a copy of that policy with the Massachusetts  
198 State Treasurer's office within 30 days after its adoption. Whenever a Board changes its benefit  
199 policy, it shall file a copy of the new policy with the Massachusetts State Treasurer's office  
200 within 30 days.

201 (e) The benefit policy shall include a statement that material, relevant, and decision-  
202 useful sustainability factors related to the goals of the Bank have been or are regularly  
203 considered by the PBANK, within the bounds of financial and fiduciary prudence, in evaluating  
204 investment decisions. Such factors will be derived from industry accepted public benefit  
205 guidelines such as United Nations Sustainable Development Goals and Sustainability  
206 Accounting Standards Board (SASB) standards for impact.

207 (f) The Bank shall report to the Governor and the Legislature on the financial condition  
208 and performance of the Bank and provide an analysis of the bank's effect on the State to ensure  
209 that it is consistent with the bank's purposes set forth in section 1, particularly the bank's effect  
210 on the public benefit goals derived from goals of the PBANK.

211 Section 10. Notwithstanding any other provision of law, transactions, funds and property  
212 of the Bank are exempt from taxation within the State.

213 Section 11. The earnings and reserves of the Bank shall be the sole property of the Bank  
214 and may not be construed to be Government funds, public funds, or appropriated money.