



P.O. Box 95735,
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RE: Oppose **HB 130 Public Banking Act**

Mr./Madame Chair and Committee Members:

Better Together New Mexico (BTNM) brings together hundreds of advocacy groups and thousands of New Mexicans statewide. Our mission is to unite New Mexicans through grassroots initiatives and work to positively shape the decisions that affect our lives, families, and communities.

BTNM respectfully opposes HB 130 Public Banking Act. We believe New Mexico's current banking system already provides the quality services businesses and residents need. Introducing a public bank would unnecessarily compete with and harm the community banks that have successfully served New Mexicans for decades. These institutions - over 220 locations throughout the state - are integral to our local economies, providing approximately 60 percent of small business loans and more than 80 percent of agricultural loans.

Key Points of Opposition:

1. **Threat to Community Banks:** New Mexico's community banks are deeply embedded in their local communities and are crucial in providing loans, particularly to small businesses and farmers. These banks are trusted partners that understand the unique needs of their communities. Establishing a public bank would draw customers away from these institutions, diverting funds that could otherwise be reinvested into local businesses and economic growth.
2. **Community Knowledge and Relationship Building:** One of the most valuable aspects of community banks is their ability to build strong, personalized relationships with consumers. Local bankers know their customers and their needs, providing tailored financial services. A state-run bank, which would lack this deep-rooted connection to local communities, could not provide the same level of customer service, making it an unnecessary risk to taxpayer funds.
3. **Financial Risk to Taxpayers:** Unlike community banks, which have their capital at risk, a public bank would place the financial risk on taxpayers. The state's resources could be used to cover potential losses from the bank's operations, an unnecessary risk given the existing financial infrastructure in New Mexico. Moreover, the public bank's mandate to lend for public benefit could lead to politically driven decisions rather than sound, market-based choices.
4. **Inefficient Use of State Funds:** Capitalizing a public bank requires significant investment from the state's revenue. The \$50 million proposed to fund this new institution could be better allocated to address more immediate needs in education, healthcare, infrastructure, or public safety. A new bank introduces unnecessary financial risks and does not meet a demand that is not already being met by the private sector.
5. **Proven Track Record of Community Banks:** During the pandemic, New Mexico's community banks were essential in delivering much-needed Paycheck

Protection Program (PPP) loans. They processed over \$1.2 billion in loans for small businesses, making them the most effective resource during an economic crisis. This demonstrates the strong track record and resilience of New Mexico's community banking system, which can continue to meet the financial needs of businesses and individuals in the state.

Conclusion:

Rather than expanding government control over the financial sector, the focus should be on supporting and strengthening the private institutions already serving New Mexico's communities. The proposed Public Banking Act would disrupt the successful operations of community banks and expose taxpayers to unnecessary financial risks.

For the above reasons, BTNM strongly opposes HB 130 and urges you to reject its passage.

Thank you for considering my comments,

A handwritten signature in blue ink, appearing to read "Carla J. Sonntag". The signature is fluid and cursive, with a long horizontal stroke at the end.

Carla J. Sonntag
President and CEO