NEW YORK creditunion ASSOCIATION

strength in members.

The New York Credit Union Association, on behalf of the nearly 300 credit unions which serve almost seven million New Yorkers, offers the following testimony on the FY 2024-25 Executive Budget Proposal, requesting inclusion of legislation to grant depository choice for state and local government. Under current state law, governments are limited in their choice of banking partners to only commercial banks. Expanding options for governments to choose who they bank with, including banking with credit unions, will create incentives for financial institutions of all kinds to offer governments better rates, lower fees, and save taxpayer money. It would increase support to underserved communities, immigrant communities, and offer more affordable housing lending, economic development, and increased financial literacy. Currently, 31 states allow for depository choice, with credit unions being an acceptable option.

Most credit unions outside of New York City have been approached by a local government entity; perhaps a mayor, county, housing authority, fire department, or school district, regarding banking services. For local government entities, the ability to deposit funds in their local credit union is of significant value. Since many of these communities are also low-income and underserved areas with special economic challenges, much of the cost of restricting governments from deposit choice falls on those least able to afford it.

As you may be aware, nothing in banking law prevents New York's credit unions from working with municipalities, but the limitation on depository choice is on local governments and the Comptroller's Office. This law was enacted in 1919, well before credit unions grew to become fixtures in their communities, like they are today.

We believe allowing local governments to do business with both credit unions and banks is good policy, because it increases access, provides greater competition, and provides better convenience for trustees of public funds. Credit unions routinely provide depositors and borrowers with substantially more attractive interest rates and lower fees (i.e., respectively higher, and lower) than commercial banks. Allowing public deposit choice is in the public interest because it could spur competition and lead to higher earnings for public entities. Additionally, enabling more choice in depositories could reduce risk by spreading deposits over a greater number of federally insured financial institutions.

Allowing local governments to do banking with credit unions helps to better serve urban and rural underserved areas. For example, Northern Credit Union (a state-chartered credit union), based in Watertown, New York with branches throughout the area, shared that nearby Harrisville, lost their commercial bank this summer. Northern CU's CEO, Dan St. Hilaire shared, "With the continued consolidation of banks and branch closings, especially here in the north country, I am hearing from a

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growing number of municipalities wishing to seek a banking relationship with the credit union. While Northern CU is fully authorized to accept municipal deposits, I must advise the municipality that they are restricted by NY law to using only commercial chartered banks. This out-of-date law inconveniences municipalities and often results in local funds being deposited in out-of-state banks or banks with limited ties to these local communities. Northern CU would welcome the opportunity to serve these municipalities, accept their deposits, and reinvest them into our communities." Mountain Valley FCU, based in Peru, NY, has four locations throughout Clinton and Essex Counties. They receive requests from local government entities who routinely seek a locally based, and more convenient, banking option.

In 2024, it is in the public's interest to end the restriction on taxpayer funds only being deposited in commercial banks when there is no commercial bank left in the community and local government employees must travel outside of their community for banking services. Why would we restrict localities from banking choice when a mayor, school board, or fire department wants to bank with a credit union to diversify funds, or when local government leaders seek to do the most good with public funds and keep public money in the community? Why are we restricting municipal organizations such as school districts and fire departments from depositing funds in the very credit unions who were formed to serve their employees? Finally, why are we limiting tax dollars to commercial banks when credit unions generally offer better rates and fewer fees?

Government leaders appreciate that credit unions are not-for-profit and understand how a credit union charter operates. If a local government entity feels a for-profit institution is the best choice for taxpayer funds, then they will continue working with a commercial bank. Credit unions return profits in the form of community investment, financial literacy, affordable lending, higher rates and lower fees, member dividends, and better service. However, unlike other not-for-profits, credit unions *do* pay property taxes, school taxes, and employer taxes. In 2021, U.S. credit unions and their employees paid almost $6.1 billion in federal taxes and $1.9 billion in state and local taxes, which generated $2.8 billion in state and local taxes through third-party contracting and purchases.[1]

We respectfully request inclusion of depository choice legislation for state and local governments in the FY 2024-25 State Budget, and thank the Senate and Assembly for continued support of New York's credit unions and their almost seven million members.

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[1] David Baumann, CUNA: Credit Unions DO Pay Taxes, May 23, 2023. CUNA: Credit Unions DO Pay Taxes (cucollaborate.com).