Right after election season 2014 came to a close, Wall Street won an enormous victory in the year-end spending bill. The so-called "CRomnibus" bill, which included language written by Citigroup lobbyists, gutted a key piece of Wall Street reform meant to prevent future bailouts of big banks with taxpayer money.

This win came after the financial industry spent years chipping away at the Dodd-Frank Wall Street Reform and Consumer Protection Act, which passed in 2010. Wall Street lobbyists gained little victories along the way, but never stopped asking for more. By making bold and ongoing asks, Wall Street was able to win, even when lawmakers sought a compromise.

There's another group of Americans, however, with a different agenda for the future of banking-people who are also pushing hard for policy change. They're advocates of public banking, and they want to see new banks created that would be owned and operated by the government, usually at the state or city level. (This would greatly increase the amount of investment capital available for small business development, local infrastructure, and affordable public transportation, none of which are much favored by private banks seeking a high return on investment.).

Gwendolyn Hallsmith is one of those advocates. She's currently the executive director of the Public Banking Institute, but she worked previously as a public servant in Montpelier, Vermont, where she resides and ran for mayor in 2014. Hallsmith also spent some time in divinity school, and you can hear it in her voice-which is soft but strong and deliberately paced.

To Hallsmith, the main advantage of a public bank is lower-cost financing, which can enable the state to pay for things like building affordable housing, repairing infrastructure, and expanding educational opportunities. And each of these projects creates jobs.

Hallsmith said: Public banks "allow cities, counties, and states to finance important public priorities without needing to rely on Wall Street and pay the hidden interest tax that Wall Street imposes on all our money."

The quest to achieve public banking at the state and local level has been a long slog. Until quite recently, you had to go back almost 100 years to find the last major victory: the founding of the bank of North Dakota, the only state-run public bank in the United States, which was established in 1919.

But interest has been picking up around the country. Santa Fe, New Mexico, voted in October to conduct a study on the feasibility of a city-run public bank. And in December, the Seattle City Council's finance committee hosted experts in public banking to explore the topic.

But nowhere have the steps toward public banking been more successful than in the state of Vermont. There, Hallsmith and other advocates won a small victory against Wall

Street through an effort so relentless and strategic that it would have made any banking lobbyist proud. They combined savvy organizing with data-driven reports and policy briefs to prove the benefits of a public bank-like avoiding fat interest payments to Wall Street banks-for the state's economy.

And because the original bill put forward by Vermont state Senator Anthony Pollina and others included multiple demands-create a public bank, direct 10 percent of the state's reserves to initially fund it, and establish an advisory committee on how best to invest locally-advocates won a decent compromise in the end.

They may not have gotten the state bank they wanted, but they were able to pass new rules that make the Vermont state treasury's cash balances available for low-cost loans to local projects.

The step Vermont took is called "10 Percent for Vermont." Under this law, passed in June, up to 10 percent of the state treasury's cash balance-which as of November was about $350 million-can be used for lending and investment within the state. The law also created a Local Investment Advisory Committee to advise the treasurer on "funding priorities" and "mechanisms to increase local investment."

Pollina was one of the main champions of the law. Pollina has been a state senator since 2010, but has a long career in politics; in 2000, he ran for governor as a member of the Vermont Progressive Party against Howard Dean.

The final version of the 10 Percent for Vermont program did not create a public bank. But it helped to accomplish some of the same goals, like providing low-cost financing for state projects that might otherwise not be able to secure affordable or long-term funding.

It's not new for Vermont to enable its treasurer to lend locally-the state has had several similar programs in place since 2012. But typically, according to Hallsmith, the state would "borrow the money from Wall Street to do it." Now, state officials can use the money from the state treasury's deposits to do this kind of lending directly.

In 2014, the treasurer's office made several local investments that counted toward the "10 Percent" total, but were authorized under previous laws. One example is the Vermont Clean Energy Loan Fund, which allocated $6.5 million in loans to encourage energy efficiency in residential home projects in the state, such as in Shelburne and Rutland counties. Another is a $2.8 million loan to Vermont's Housing Finance Agency to support 111 units of multifamily affordable housing. A third is a loan fund approved in June that allocated $8 million for improved energy efficiency in state government buildings, with the goal of reducing their energy use by at least 5 percent (the state currently spends $14 million a year on energy bills).

All told, in 2014, Vermont's treasury lent out $24.5 million to local projects. Even though this money was authorized by prior legislation, it still counts toward the 10 percent of the state's cash balance-that is, $35 million-that the treasury may lend to the community. That means there is still approximately $10 million in additional funds available for local investment-money that the treasurer would not have been able to lend were it not for the 10 percent program.

Public bank advocates, state Treasurer Beth Pearce, and the Vermont Bankers Association (VBA) all agree that 10 Percent for Vermont is off to a good start. Christopher D'Elia of the VBA said the program has "worked very well under the treasurer's leadership" and that he believes "the taxpayers will receive a very nice rate of return."

But the road to get there began with the more dramatic goal of a true public bank in Vermont.

The effort picked up steam in January 2012, when the Vermont House introduced legislation to conduct a study on creating a state bank, with 67 legislators co-sponsoring the bill. That February, the think tank Demos released a policy brief outlining the potential benefits. They pointed out that the for-profit TD Bank is a juggernaut in the state, holding over $2.3 billion of Vermont's $10.9 billion total, in 2011. And yet, in 2010 the bank only made $416,800 in Small Business Association 7(a) loans (which are loans provided to small businesses that meet certain requirements), a 90 percent decline from the volume of similar loans it made in 2008.

Momentum kept building: In May 2013, the League of Women Voters of Vermont voted to conduct a study on the feasibility of a public bank. That December, a coalition of organizers, business, and individuals called Vermonters for a New Economy published a report again laying out the case for a public bank in the state. The report argued that a state bank could create more than 2,500 new jobs and add $192 million to Vermont's Gross State Product (which is the economic output of a state. You can think of it as the state version of GDP). And because the state no longer would have to borrow money from private banks to finance important projects, the report found a public bank could save the state $100 million in interest payments over 20 years.

A report published by the Vermonters for a New Economy argued that a state bank could create more than 2,500 new jobs.

All three studies showed significant benefits, and state legislators were starting to listen. Last January , six Vermont state senators (Anthony Pollina, Claire Ayer, Eldred French, Dick McCormack, Jeanette K. White, and David Zuckerman-all Democrats except for Pollina and Zuckerman, who are members of the Vermont Progressive Party) proposed a stand-alone bill to implement the 10 Percent for Vermont program within the Vermont Economic Development Authority (VEDA), which would be granted a banking license and thus become the second state bank in the United States. In addition, an advisory committee would be created to "to enlist the help of private enterprise and encourage the use and growth of the program."

The idea didn't sit well with the treasurer's office or the Vermont Bankers Association. Both argued that a public bank might hurt the state's bond rating. Advocates countered that North Dakota's public bank hadn't damaged its rating, which was almost as high as Vermont's-AA- versus AA+.

The VBA remained hopeful that the state legislature would not follow through with its plan to create a state bank-noting in a January 2014 report that the Vermont Congress showed "willingness to consider other options." But Vermonters for a New Economy continued to build pressure through a campaign of "Town Hall" discussions. In March, 23 Vermont towns voted on resolutions urging the creation of a state bank, with 19 towns ultimately approving it. The votes were not legally binding, but they demonstrated broad support because each town needed to generate petition signatures for at least 5 percent of its legal voters to even hold the votes.

At the end of March, Pollina abandoned the stand-alone version of the public bank bill and instead inserted a modified version as an amendment into a large, must-pass economic development bill (seven other senators offered the amendment along with Pollina).

Now, instead of VEDA implementing the 10 Percent program and getting a banking license, the treasurer's office would oversee the program and chair the Advisory Committee. This amendment didn't completely abandon the idea of a public bank: It mandated that the Advisory Committee give a report in January that include a recommendation on whether to eventually turn VEDA into a public bank.

But the VBA opposed even that. And after Pollina's amendment, it announced that it planned to fight in the Vermont House to get the public bank recommendation removed from the overall economic development bill.

The Vermont Bankers Association was successful in that. But the 10 Percent program survived, albeit in an amended form.

Approximately $10 million is left to be invested from the 10 Percent program, and there are many options. Presentations to the Local Investment Advisory Committee have provided plenty of ideas for how to invest that money.

In November, the committee met to discuss potential investments in infrastructure, like water supply projects or bridges. (During the meeting, Karen Horn of the Vermont League of Cities and Towns pointed out that one-third of the state's bridges are structurally deficient). And in December, committee members discussed possible transportation investments. This month, the treasurer's office reports on its progress with the 10 Percent program, make a preliminary recommendation on how to loan the rest of the money, and will take proposals through March 1.

The 10 Percent program was also given a built-in sunset, so the program will either end or be renewed in July. The loans already made won't go anywhere-the $2.8 million in loans for new affordable housing, for example, is good through 2024. But, once all the loan money is paid back, the treasurer's office won't be able to loan the additional $10 million locally if the program isn't renewed.

d'Elia said: The Bankers Association remains firmly against a state bank: "We see no reason to create a state bank in Vermont."

Pollina said: "The sunset shows again how difficult this struggle is and how strong the opposition can be. We are fighting the banking interests every step of the way."

But the odds for renewal seem good. Even d'Elia of the Vermont Bankers Association said that his group supports a continuation of the 10 Percent program.

Perhaps the VBA is right to be nervous about a possible expansion of the program. After all, by reducing a state's need to borrow from Wall Street, public banks threaten private banks' profits. But thus far, it's advocates who may have paid a steeper price than private banks: Hallsmith alleges that she was fired from her job as a public servant because she advocated for a public bank in her private time. She has an open case with the Vermont State Supreme Court.

But Hallsmith remains positive about the public bank movement and its momentum, She said: "Once we realize the power of credit creation-using money we are now sending to Wall Street-I don't think there will be any stopping it."

Could other cities and states stand to benefit from emulating what Vermonters have done? Pollina thinks so, noting that similar programs "could help states and cities dig out of the Grand Recession."

That's exactly the kind of idea that thinkers like Mike Krauss of the Public Banking Institute are hoping to spread across the country.

He said: Public banking is "a way to enable prosperity at the local level."

Vermont's continued work on expanding local lending is a small step toward such prosperity. And if advocates can continue to combine their demands for a public bank with increases in local lending, they can ensure a small win for their city or state, even when the effort ends in a compromise. Those advocating for public banks in the rest of the country would do well to learn from the fight waged in Vermont.