

Testimony of Rohan Grey, Assistant Professor of Law, Willamette University, before the Oregon Legislative Assembly Committee on Business and Labor, Hearing on H.B. 2743, Salem, Oregon, March 17th, 2021.

Chair Holvey and Members of the Committee. Thank you for this opportunity to testify in support of H.B. 2743.

My name is Rohan Grey, I am an attorney and assistant professor of law at the University of Willamette College of Law, where I work and write on issues relating to the law and regulation of money, banking, and public finance. I also currently serve as a Vice-Chair of the Policy and Governance Working Group of the Digital Currency Global Initiative, a partnership between Stanford University and the United Nations' International Telecommunications Union, where I develop international technical and regulatory standards for central bank digital currencies.

I have been actively involved in national policy debates around public banking and related issues for over eight years, mostly through my non-profit organization, the Modern Money Network, which I co-direct with my colleague and work partner, Raúl Carrillo, a consumer law expert who until recently served as one of the lead organizers of the New York Public Banking Coalition. As part of this work, I have served as lead drafter of the Public Banking Act, which was introduced last October in Congress by Representatives Alexandria Ocasio-Cortez and Rashida Tlaib, in consultation with public banking advocates across the country, and remains to this day the single most comprehensive piece of federal legislation pertaining to the establishment of state and local public banks. I have also drafted other federal legislative proposals, including the Stablecoin Tethering and Bank Licensing Enforcement Act ("STABLE Act"), which was introduced by Representatives Tlaib and Stephen Lynch, the Head of the House Fintech Task Force, and would, among other things, require all issuers of digital stablecoins, such as Facebook's proposed new currency, Diem (formerly "Libra"), to obtain a banking license and submit to federal macroprudential regulatory oversight.

As a recent transplant to Oregon, and before that the United States, I am thrilled to be a new resident of such a wonderful state, with its long history of legislative leadership and commitment to public goods. I am also thrilled to be moving here at such an exciting time in American monetary and financial history, when the state, and the country more broadly, is starting to grapple with fundamental questions of financial reform. It is no exaggeration, I believe, to say that the decisions being made now, and over the next few years, will set the stage for decades of financial activity to come. Public banks, in particular, have an incredibly important role to play in providing basic payments and account management services for local governments, as well as facilitating the safe, sound, and equitable allocation of credit towards projects that best promote public purpose. I commend the work of the Oregon Public Bank Alliance, as well as members of this Committee, for the work they have done bringing this issue, and H.B. 2743 in particular, to the forefront, and strongly recommend its passage into law.

Since the founding of the Republic, licensed and chartered banks have served a core state-building function, generating publicly-backed credit, and allocating it in the service of public purpose. In order to do so effectively, they have historically required a range of legal and financial supports, ranging from acceptance of bank notes in payment of public taxes and dues, through to deposit insurance and central bank liquidity backstops. At various points in time, these functions have been performed by not merely commercial banks, but various kinds of public banks, including federal postal banks that operated successfully for much of the twentieth century. And at the state-level, the power to charter

banks has been an important expression of state sovereignty and the dual-federalist nature of the U.S. Constitutional system.

H.B. 2743, in contrast to other public banking proposals I've seen and worked on, does not aim to supplant or compete with existing banks and other consumer-oriented retail financial service providers. Rather, it focuses on providing fiscal agent services, including account management, to municipal actors, as well as competitive loans for public projects to reduce interest and funding expenses that otherwise drain public coffers. And crucially, unlike other public bank models, it is financially independent from the municipal budget beyond initial capitalization, which means that the public is not on the hook for any losses suffered by the bank, nor is the city guaranteeing any of the bank's liabilities.

Overall, H.B. 2743 would complement and enhance the efficacy of existing banks and community financial institutions in Oregon, while simultaneously reducing costs of financial management and investment for public municipalities. And it would situate Oregon alongside California, New York, New Jersey, Illinois, and other states who are leading the way in building the public financial infrastructure we need to succeed in the 21st century. I urge you all to support this bill, and stand ready to assist in any way I and my organizations can to make sure it is a success.

Thank you.