

Paul L Evans
STATE REPRESENTATIVE
DISTRICT 20



HOUSE OF REPRESENTATIVES

February 22, 2022

Representative Barbara Smith Warner
Chair, Committee on Rules
Oregon House of Representatives
Oregon Capitol Building
900 Court Street NE
Salem, Oregon 97301

Ref: HJR 205

Chair Smith Warner:

Thank you for setting a public hearing for House Joint Resolution 205 (HJR 205). This proposal is among the most critical pieces of legislation we will consider during 2022. I believe this is true for three reasons: 1) it is about rebuilding trust with the public, 2) it is about putting a big idea into the hands of the public – without predetermining – any specific outcome, and 3) it is about facilitating a greater shared understanding of the fundamental differences between, and legitimate roles for, non-profit, private, and public banking.

Currently, there is considerable debate about the potential for a state-owned bank in Oregon because of the confusing language embedded in the Oregon Constitution.

The Oregon Constitution, “Article XI, Section 1. Prohibition of state banks. The Legislative Assembly shall not have the power to establish or incorporate any bank or banking company, or monied (sic) institution whatever; nor shall any bank company, or institution [sic] exist in the State, with the privilege of making, issuing, or putting in circulation, any bill, check, certificate, promissory [sic] note, or other paper, or the paper of any bank company, or person, to circulate as money.”

Although there is a compelling, well-distributed opinion drafted by that asserts the prohibition is related to the function of state-circulated money or tokens, any plain-text reading of the Oregon Constitution would certainly suggest that the issue is an unsettled question of law. For public bank advocates, the best case would be an artfully crafted measure with certain and specific constraints. For opponents of a public bank, the language provides ample ammunition for an attack upon the legitimacy of any bank formed under such circumstances.

I believe there is a place for banks with a foundational difference in primary duties. I believe that despite the best intentions of people working within the for-profit banking and financial services industry, a culture of profit first, coupled with risk avoidance, is a constraining factor in certain and specific instances where capital is required for furthering the public good. Currently, state money is housed within private banks, allowing them to leverage the people’s money for their profit. A public bank, on the other hand, could establish a fiduciary responsibility to the public good rather than members or out-of-state shareholders. Such an institution would certainly prove valuable during times of severe and significant economic distress.

The past two major recessions, 2008-2010 (Home Lending Crisis) and 2019-2022 (COVID-19 shut down) have demonstrated the functional disconnection between governmental policy intentions and implementation through for-profit financial organizations. Whereas large corporations received assistance in the form of grants and loans with relative ease and timeliness, individuals and small businesses struggled to receive any assistance at all. I assert this resulted from organizational culture, not bad actors or ill-intent. It is important to clarify that HJR 205 is not intended as a threat to for-profit organizations, nor is it an effort to thwart private wealth generation. Instead, it is a solution to remedy an identified,

repeated, unnecessary gap in our financial services portfolio – a portfolio we need for rebuilding our Oregon Economy in the 21st Century.

HJR 205 is not an attempt to embarrass for-profit lending organizations. It is clear to me that the North Dakota model has proven itself an economic stabilizer in their state. North Dakota has long enjoyed the economic value of a *corresponding bank* for ventures deemed too small for a profitable return on investments. It exists to support the most challenging, necessary functions for serving the greater good through partnerships with credit unions and community banks. The public interest is the arbiter of decision-making for the Bank of North Dakota. Ventures that sustain capital intensive or gap industries can find economic assistance through a bank with rules grounded in community benefit rather than shareholder returns or member benefits. Its impacts for rural North Dakota are especially encouraging for rural Oregon, with many of our small towns and communities needing State and Federal support to maintain aging water systems and other infrastructure because their projects are both important to locals but too small for private bank interest.

Though the Bank of North Dakota is a compelling case study, there are other similar organizations throughout the nation and larger global marketplace. There are many kinds of public-owned financial institutions and lending organizations. I am not here today with any specific form or function in mind. Instead, I am here asking for an opportunity to take the first step in determining if a state bank can be a legitimate option in Oregon. This measure is about putting the question of the possibility of a public bank before the People of Oregon—of giving the option to voters whether to make our money work for us first, instead of for anyone else. Any attempt to make it about a specific kind of public bank is simply untrue.

I ask this committee to allow the People of Oregon the opportunity to determine whether they believe their elected legislators may consider a public bank or not. If we place it on the ballot and it passes, it is our expressed intention to bring together a bicameral, bipartisan workgroup including all relevant stakeholders to establish a framework for policy development. However, none of that can be realized unless and until the public has an opportunity to weigh in and tell us what to – or not – to do. Thank you for your earnest consideration of this critical matter.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Rep. Paulevans', with a long horizontal flourish extending to the right.

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