



**HOUSE OF REPRESENTATIVES**

**Testimony in Support of HJR 205**

February 22, 2022

Chair Smith Warner, Vice-Chair Breese Iverson, and members of the committee,

For the record, my name is Khanh Pham, State Representative for House District 46, and I'm proud to be a chief sponsor for this important resolution that would refer a November 2022 ballot measure to Oregon voters to decide if they want to explicitly allow Oregon to create a public state bank.

**HJR 205 creates the opportunity to improve our banking system with an infrastructure-focused, state public bank that maximizes public dollars to work for the benefit of our Oregon communities.** If approved by voters, this will enable Oregon legislators to develop policy for a state bank in future sessions. Currently, OR's state constitution has language that many interpret as a prohibition on a public state bank. This constitutional amendment would clearly and unambiguously "enable establishment in this state of a bank that is owned or operated by the State of Oregon."

**Our intent is to create a state bank that can support local governments and expand the capacity and reach of community banks and credit unions. It is not focused on consumers or individuals whom our traditional banks and credit unions serve.** The vision for the state bank we imagine for Oregon would be a good partner with credit unions and community banks, and not in competition. In fact state banks can actually provide stability and economies of scale for local banks and credit unions by partnering with them to provide short-term liquidity and access to capital. Think of it as a "banker's bank." A state bank helps local banks help their customers.

**Public banks, in partnership with credit unions and other community financial institutions, can help revitalize local economies by** enabling loans at lower cost and larger access to capital for local businesses to grow, create jobs, and increase tax revenues.

**Public banks can also help reduce financing costs of needed public projects** - they can fund infrastructure, affordable housing, and other public-benefit projects at lower interest rates and fees than conventional Wall Street lenders, saving as much as 40% to 50% over the life of a 30-year bond -- which can save taxpayers hundreds of millions of dollars. With the level of federal and state dollars coming in the next few years that Oregonians are counting on being wisely spent and invested, it is so essential that we deliver on time, and on budget, extending every dollar as far as it can

go. A State Bank that is run independently, but under legislative oversight, can do that for the state.

**Public banks keep money local and lend.** Interest and fees earned by the state bank stay in the community, instead of going to out-of-state corporate executives and shareholders. Many cities have to hold hundreds of millions of dollars in reserve, which could be leveraged and reinvested in local projects.

During the crisis intervention that was the 2020 CARES Act and the 2021 American Rescue Plan crisis, big banks focused too much on ways to benefit from federal assistance programs and not enough on getting assistance loans to the people who most needed them. By contrast, public banks have been very effective in getting federal assistance funds from the recent CARES Act to the people they were intended for. In fact, we can look to another state for a successful example to emulate, the Bank of North Dakota. The State Bank of North Dakota secured more Paycheck Protection Program dollars per capita than any other state.<sup>1</sup> **That is because Public Banks are solely focused on serving the public interest**, while private banks are focused on their fiduciary responsibility towards making as much money as possible for their executives and shareholders.

In contrast, The Bank of North Dakota (BND) remains the best and longest lasting example of a popular and well-regarded state bank. The Bank of North Dakota utilizes its bank's profits in three ways: maintaining/expanding the bank's capital to provide more services, sending dividends back to the North Dakota Legislature to appropriate, and mission-driven business grant programs and student loan relief programs to fuel economic development and infrastructure funding. The Bank of North Dakota was capitalized with \$2 million from general funds in 1919 (\$28 million in 2022 dollars, adjusted for inflation) and as of today has over \$7.7 billion in assets, a total loan portfolio of \$4.7 billion and \$825 million in capital.<sup>2</sup> It has been highly profitable, recording 16 straight years of record-breaking profit and averaging more than \$150 million per year in the last 5 years in returned profit to the state's treasury. It has been an incredible return on investment (ranging from 15-18% per year), and inspired similar efforts in states across the country, including California.

Similar potential applications could be used in Oregon to distribute state checks to Oregonians (like stimulus checks, essential worker pay, maybe even timely tax refunds).

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<sup>1</sup> "Bank of North Dakota Releases 2020 Annual Report." 9 Jun. 2021, <https://bnd.nd.gov/bank-of-north-dakota-releases-2020-annual-report/>. Accessed 18 Feb. 2022.

<sup>2</sup> "Comparison N.Dakota & N.Mexico\_AFLEP.2018 - Alliance for Local ...." [https://aflep.org/wp-content/uploads/2019/05/Comparison-N.Dakota-N.Mexico\\_AFLEP.2018.pdf](https://aflep.org/wp-content/uploads/2019/05/Comparison-N.Dakota-N.Mexico_AFLEP.2018.pdf). Accessed 21 Feb. 2022.

It could buy down interest/loan lending rates for things like small businesses, mortgages, homes and infrastructure construction, and student debt loans.

Additionally, in times of natural disaster or economic recession, a public bank can exhibit financial flexibility to intervene. For example, during the COVID crisis, the Bank of North Dakota created three additional business loan programs, including the Small Employer Loan Fund. In 2019, the Bank created the Agriculture Disaster Relief Loan program.

In 1997, Grand Forks, North Dakota faced record flooding of the Red River and major fires which caused devastation throughout the city. The Bank took unprecedented action to assist families and businesses by quickly establishing nearly \$70 million in credit lines. **As Oregon faces wildfires, ice storms, and droughts, we need a bank that can be nimble and responsive to these disasters to help our communities recover.**

In addition, a state bank can also help us meet our longer-term goals as a state—financing projects that serve community interests, even if they don't maximize profits for investors. Whether it's our 100% clean energy goals, or our state's planning goals for housing construction, we need better financing options to rapidly deploy community and residential solar, and invest in workforce and affordable housing.

We appreciate the time to outline the case for why Oregonians deserve this opportunity at the ballot to enable robust debate about what a public bank can mean for our state. In this hearing, you'll hear from many, diverse community and business perspectives on the benefits a state public bank can provide, if we give ourselves the future chance to legislate. Thank you.