



Testimony of Walter A. McRee, President & Chair, Public Banking Institute

In Support of Public Finance Task Force Bill HB 2966

Date: January 29, 2025

To: House Committee on Commerce and Consumer Protection

Honorable Chair Sosa, Vice-Chairs Chaichi and Osborne, and members of the committee:

As an appointed officer of the Public Banking Institute since 2011, I have acquired extensive experience nationally working with economists, academics, financial and legislative policy experts on the feasibility and technical analysis issues involved with state and municipal evaluations of government financial services and issues. The dynamic changes occurring in this sector, especially as regards the consolidation of financial centers away from local control, deserve thoughtful examination. For these and other trending financial system developments, we strongly support your adoption of an in-depth study and analysis as proposed by Public Finance Task Force bill, HB 2966.

As a consultant to NJ Governor Phil Murphy's Public Bank Implementation Board, a thorough evaluation of that State's financial management framework revealed significant gaps of funding for local businesses and individuals while also emphasizing the important role that local community banks, credit unions, CDFIs and other community development agencies play in local economies. That study recommended establishing a new financing vehicle to address specific community needs which is now in process of being formed. The conclusions of the NJ study outlined numerous ways in which existing financing systems could be adapted for significant social and economic impact. Oregon would benefit from a similar study.

HB 2966 would provide a methodology for identifying and addressing underserved economic financing needs, particularly on the local level where financial services are frequently restricted or non-existent, and open a discussion to effect creative ways for utilizing government resources to address these gaps. Conducting a comprehensive review of the state's financing needs and current practices, especially regarding how local community banks and credit unions can impact problem solving, is a prudent policy step which will help bring forward innovative strategies that can improve public access for more affordable and effective financial systems and services.

To the extent that local governments are constrained to work within market-based financing options, they must rely on market solutions and pricing, thereby subjecting the people's money to the profit objectives of the money markets. This reality significantly adds

to the cost of public investment, further burdening public debt and potentially preventing financing altogether. The proposed Public Finance Task Force would have the opportunity to identify and test innovative solutions that could make a significant difference in financing opportunities.

Since states and municipalities nationwide are too often forced to adapt to the constraints and limitations of marketplace funding, innovative systemic approaches deserve investigation. These alternatives can provide more cost-effective financing while opening new avenues for investment by local financial entities to help address the pressing and growing concerns about affordable housing, infrastructure and environmental preparedness. Indeed, the absence of substantial financial system flexibility at a time of unpredictable environmental impacts leaves critical problem-solving resources unattended.

Of particular importance for HB 2966's adoption is the potential to expand and stabilize locally-owned credit resources such as community banks and credit unions which are working in a stressed environment of costly regulation, mega-sized competition and other factors that stress local funders. When financing emanates from local sources versus behemoth global money markets, capital remains in the state and municipality, thereby expanding the size of local fiscal markets and economic potentials.

Governments around the country have inherited disadvantageous financing systems and practices that put the public purse at the mercy of money market profiteers. This under-examined reality extracts literally hundreds of billions of dollars annually in fees and interest costs from government treasuries, subjecting local economies to the mercy of private rather than public interests. HB 2966 will provide a new opportunity to understand that landscape of State finance from the perspective of how best to employ existing assets and systems that can better position the state for the turbulent financial days ahead.

We strongly encourage adoption of HB 2966.

Thank you,

Walter A. McRee

President & Chair

Public Banking Institute