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Oregon Bankers Association Testimony on HJR 205 House Committee on Rules

Chair Smith Warner, Vice Chair Fahey, and Vice Chair Breese-Iverson and Members of the Committee, thank you for the opportunity to provide written testimony on House Joint Resolution 205 (“HJR 205”). The Oregon Bankers Association and our sister organization, the Community Banks of Oregon, represent state and national FDIC-insured banks doing business in Oregon. Oregon’s banks are the premier providers of credit in the state of Oregon and are responsible for the safekeeping of \$112 billion in Oregonians’ hard-earned dollars. More than 19,000 people work for banks at over 945 locations in Oregon. These banks also support over 1,000 nonprofits and community organizations in Oregon donating \$44.3 million and 225,600 volunteer hours each year. Our banks are cornerstones of the communities we serve.

We are deeply concerned about HJR 205, which would amend the Oregon Constitution to permit Oregon to create a state bank.

The Concept of a Public Bank is Not a New Idea

The concept of a publicly-owned state bank is not new. State bank bills have been introduced numerous times in Oregon. Proponents often note the Bank of North Dakota as an example of a successful state bank. That unique entity was established more than a century ago because of a lack of banking services in North Dakota at the time, a situation that does not exist now in Oregon. The Bank of North Dakota’s ongoing success is that it has been allowed to operate like a “Bankers Bank,” which means it is interwoven into the fabric of the North Dakota banking community and provides partnership opportunities similar to what Business Oregon provides in Oregon. The bank itself and the industry as a whole in North Dakota have said such a bank would not be established there today.

Mechanisms to Enhance Credit Availability in Oregon Already Exist

Oregon banks, credit unions, and other non-bank lenders provide extensive banking services and loans throughout the state. These institutions have access to funding that is leveraged to provide billions of dollars of credit in Oregon annually. In addition to this direct lending to Oregon individuals and businesses, there are numerous organizations and public/private partnerships that provide or leverage additional credit. Business Oregon, a strong financial institution partner, provides a variety of direct lending and loan guarantee programs, including the Capital Access Program and the Credit Enhancement Fund. Financial institutions partner with federal organizations like the Small Business Administration and the Department of Agriculture to reach additional borrowers that might otherwise struggle to obtain a loan. Financial institutions also partner

with community development financial institutions, like Craft3 and other non-profit organizations, to provide access to credit for those not yet able to obtain a bank loan.

With these organizations and mechanisms in place, the focus should be on supporting their efforts rather than creating a duplicative public entity. If the legislature believes that additional programs are necessary, they should be clearly identified, tailored to meet a particular need, thoroughly vetted, and incorporated into an existing entity. This session [House Bill 4015](#), which has already passed the House and is now on its way to the Senate Floor, expands Business Oregon's Entrepreneurial Development Loan Fund ("EDLF"). This direct lending program helps start-ups, micro-enterprises, and small businesses expand and with the passage of this bill the department will now be able to make loans up to \$1,000,000. Business Oregon, during committee testimony testified that 50 percent of EDLF loans went to minority owned businesses or rural businesses. This legislation is an example of a targeted approach that works within an existing entity to address a particular need.

In short, creating a state bank would not solve existing problems with access to credit for individuals and businesses. It would instead be a risky experiment that jeopardizes taxpayer resources. The legislature should not open this door by passing HJR 205.

Thank you again for the opportunity to provide these written comments.

If you have questions, please contact OBA Lobbyist Tim Martinez at (503) 510-9019.