



HOUSE OF REPRESENTATIVES



From the Desk of
Representative E. Werner Reschke
Chief Clerks Office

June 13, 2023

TO: Colleagues of the House

RE: Letter of Opposition on House Bill 2763B: State-Owned Bank Task Force

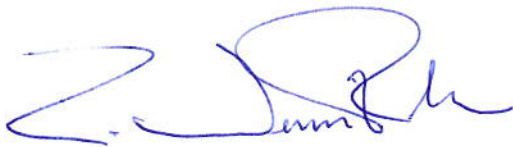
I would like to express my opposition for House Bill 2763B: State-Owned Bank Task Force Vote No on House Bill 2763B: State-Owned Bank Task Force creation.

HB 2763B would create a task force to create a state-owned bank. This is an unnecessary and wasteful use of resources. We strongly urge you to **Vote No on HB 2763B**.

- The State Bank Issue Has Been Thoroughly Vetted and Found Wanting. A state bank has been repeatedly considered in Oregon and other locations and repeatedly been found wanting. OBA has been part of this conversation in Oregon for at least 40 years based on our records. Nothing has changed to suggest a state bank is a good idea today or worth another task force or study. There have been many task forces and studies in other states, including Washington, which released a study of the various studies of public banks (<https://tre.wa.gov/wp-content/uploads/Public-Banking-Report-Study-of-the-Studies.pdf>). The Washington Treasurer stated in the report, "I firmly support building upon Washington's existing structure of banking and do not support public banking because of the higher risk and lower return on investment compared to the current private banking system ... I have a deep-rooted interest in doing the right thing by protecting Washingtonians' finances. Using any of these resources to capitalize a bank would be reckless. The evidence from this and other municipalities' studies has established there is too much taxpayer risk, and not nearly enough proven benefit from the formation of a state bank." The situation is no different in Oregon.
- The Bank of North Dakota ("BND") is Not a Model for a State Bank. This entity was founded more than a century ago when North Dakota lacked banks (not a situation Oregon faces). Over the years, the BND evolved to be part of the North Dakota banking landscape, in some ways offering programs similar to what Business Oregon does here in partnership with banks. The BND CEO at one time said they would not start a state-owned bank in North Dakota today. North Dakota is the only state with a state-owned bank.
- A Large and Diverse Body of Credit Programs Already Exist. There are many ways government participates with banks to enhance credit opportunities. Some of the most successful partnerships are with Business Oregon like the Credit Enhancement Fund and Capital Access Program. There are programs with Oregon Housing and Community Services, with the Small Business Administration and USDA, and with nonprofits or Community Development Financial Institutions like Craft3 and MESO. In other words, there are many ways the state supports and works with the banking industry to enhance credit opportunities without a duplicative, risky and expensive state bank.

- A Public Bank is Not Viable and Has Constitutional Issues. We believe there are constitutional issues with the creation of a state bank in Oregon; however, the reasons a public bank is not viable goes well beyond that fact and include, but are not limited to, issues related to capital, liquidity, depositor protection and credit. A state-owned bank runs the serious risk of being subject to political pressure in dictating the types of products, services and loans that are offered, which runs counter to the fundamentals of running a safe and sound financial institution. Oregon is home to a vibrant, diverse and community-minded banking system that is healthy, well-capitalized and has ample liquidity to lend and support the communities they serve. Coupled with other participants in the financial services industry, there is a very competitive and accessible landscape of financial institutions serving our state.

Sincerely,



E. WERNER RESCHKE

State Representative, HD 55

The Crater Lake District