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**Testimony in Opposition to House Bill 2763
House Committee on Emergency Management, General Government and Veterans
February 16, 2023**

Chair Grayber, Vice Chairs Lewis and Tran, and members of the committee, my name is Linda Navarro, and I serve as president and CEO of the Oregon Bankers Association and Community Banks of Oregon. Together, we represent the diverse FDIC insured banks and trust companies doing business in Oregon. Thank you for the opportunity to testify today in opposition to House Bill 2763.

The banking industry employs over 20,000 Oregonians at approximately 800 locations throughout our state. We are highly regulated and provide safe and trusted banking services to individuals, families, businesses, agriculture interests and government entities. We lend tens of billions of dollars annually, whether to a first-time homebuyer or a city infrastructure project.

Oregon's banks are also leading contributors to local nonprofit and community organizations. In fact, more than 1,000 nonprofits in Oregon benefit from the support of banks. I share this because 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.

With this in mind, there are many ways the public – through our government – participates with banks to enhance credit opportunities. Some of the most successful state-level partnerships are with Business Oregon programs like the Credit Enhancement Fund and Capital Access Program. There are also programs with Oregon Housing and Community Services, with federal entities like the Small Business Administration and USDA, and with nonprofits or Community Development Financial Institutions like Craft3 and MESO.

In other words, there are many existing ways that the state supports and works with the banking industry to enhance credit opportunities without a duplicative, risky and expensive state bank.

As you've heard, the Bank of North Dakota is often cited as a model for a state bank. This entity was founded more than a century ago when North Dakota lacked banks, as well as a grain mill and elevator, so the state got into the business of both. Over the years, the Bank of North Dakota has 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. Even their bank CEO at one time told me that they wouldn't start a state-owned bank in North Dakota today. There is no real basis for comparison.

I should also clarify information provided in submitted testimony about the Bank of North Dakota and the Paycheck Protection Program that was critical to businesses during the pandemic. The truth is that

the Bank of North Dakota didn't make Paycheck Protection Program loans. What they did was provide webinars to help local lenders – banks – make these loans simply because the Bank of North Dakota had the technology and capacity to put on the webinars. This function in no way required a state-owned bank, and we were able to provide similar informational support to banks in Oregon during the PPP program. As a result, Oregon businesses received over \$10 billion in PPP funds, the majority generated through banks. North Dakota, a less populated state, received what would be a comparable \$2.9 billion in PPP funds.

With regard to establishing a state-owned bank in Oregon – or any public bank – we have been part of this conversation in the Oregon legislature for at least 40 years based on our internal records, and I'm guessing it goes back much further. I've been part of the conversation for the 27 years I've represented Oregon banks. In that time, I have seen nothing change to suggest a state bank is a good idea today, or worth another task force or study.

But as you've heard, the idea of a public bank intrigues some people for what seems to be different reasons each legislative session. The expressed needs are not always clear, and the solutions generally don't require or warrant a public bank. The idea of a public banks outside of North Dakota has never taken flight for good reason. It is not necessary, and it is not viable.

While I do firmly believe there remains a constitutional issue with the creation of a state bank in Oregon, the reason a public bank is not viable goes well beyond that fact. I won't go into detail on all of the issues that have been well-vetted in other forums – ranging from capital and liquidity to depositor protection and credit risk – but I am happy to discuss these complex issues at any time. We can also discuss how a state-owned bank runs the 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.

At the end of the day, a state bank has been repeatedly considered in Oregon and many other locations, and repeatedly been found wanting. There have been many task forces or studies in other states about the issue. In fact, our neighbor Washington State released [a study](#) in 2018 that studied the various studies on public banks. That report's cover letter penned by the State Treasurer states, "Similarly to many of the conclusions within, 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." He goes on to say, "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."

Members of the committee, there is not a compelling case for utilizing time and dollars to study an already failed concept.

I am happy to answer any questions.