

Testimony on behalf of Oregon Working Families Party in support of HB 2763

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The Oregon Working Families Party strongly supports HB 2763, establishing a broad based task force to make recommendations regarding the establishment of a state public bank.

What could a State Bank accomplish?

- **Stimulate the state's economy:** A prudently run State Bank would have the ability to leverage the liquid assets of government entities to stimulate investment in the state's economy and can do so in a way that strengthens the state's fiscal position over the medium and long terms.
- **Be an important partner to state-chartered banks and credit unions:** A state bank could provide stability and strengthen the capital position of community banks operating in the state by purchasing loans from their portfolios and investing in bank stock. The state bank's ability to step in on the front end would preserve local banking capacity, arrest the trend of mergers and consolidation in the financial industry and maintain the viability of credit-worthy local businesses.
- **Through low costs allow for mission-driven lending:** Because of lower overhead, no exorbitant bonuses, and no shareholder dividends, a state bank can remain profitable while maintaining a low net interest margin – 2.5% versus an average of 4% required by commercial banks. This would offer valuable savings to local and state entities seeking bonding for infrastructure projects that would in turn enable access to significant Federal funding.
- **Help the state's budget:** Annually, the Bank of North Dakota typically retains half its profits – which have averaged 26-27% of its equity in recent years – as capital, and returns the other half to the state's General Fund (\$350 million in the last decade). Profits from a state bank could contribute significantly to Oregon's Rainy Day Fund.
- **Provide a safe banking alternative for the state's cannabis industry:** The sale of legal cannabis in Oregon is a multi-million dollar industry. Legal cannabis businesses, however, face major obstacles to obtaining and retaining depository and related banking services. As a result, the cannabis industry operates chiefly in cash, which poses public safety issues and impedes effective regulation and taxation of the industry. A state public bank would provide a safe and effective alternative for the industry.

In other words, there are many ways in which a state public bank would be invaluable to Oregon's economy, to our local governments, and to our local banks and credit unions. It could support many public initiatives, from expanding affordable housing, to building out a climate friendly infrastructure, to supporting sustainable, regenerative agriculture. It could also help resolve the banking dilemma of the cannabis industry.

The proposed Task Force includes a large and diverse number of participants who will bring different and important perspectives to the table. Hopefully it will result in a strong proposal and guidelines for a state public bank for Oregon, something that is long overdue.

The Oregon Working Families Party respectfully urges passage of HB 2763.