



18 February 2023

Chair Grayber, Vice Chairs Lewis and Tran, and Members of the Committee,

I am Kelie McWilliams, Executive Director of the Rural Engagement Project, which is a non-partisan political advocacy organization focused on uplifting the needs and quality of life of rural Oregonians. Since our formation in 2021, we have worked on issues that affect Oregon's many under-resourced communities.

### **Just One Example: The City of Monroe, Oregon**

I had the honor of working with Monroe Mayor Dan Sheets on a water crisis in his city. In brief, the city needed to update its water system and was facing an urgent crisis of water service collapse. Together, we were able to bring together a coalition of local, county, state and federal offices to address the problem, which is now being evaluated by the U.S. Army Corps of Engineers as the process gets underway. Still, the project needs more funding than they've been able to pull together. The project was originally estimated to cost around \$4M, but due to inflation and other expenses, that cost has more than doubled.

During the process of working with Monroe, I learned that they could not access typical funding channels because of lack of interest in small towns by commercial lenders. Frequently, commercial lenders want municipalities to raise rates or fees in order to ensure repayment terms are met. For small towns and rural communities, where more people than average are living in extreme poverty, this often means knowing and having relationships with the people who would be displaced. For Monroe and other small towns we've worked with, this has been and will likely continue to be a non-starter. In small and mid-size cities, and even in larger municipalities, infrastructure loans can come with interest rates so high that upwards of half of repayment dollars will end up going to interest.

Also in Monroe is the South Benton Resource Center (SBRC), which houses the community pantry, the Kapi Nak Nak Community Center, and other vital resources that serves a population in the surrounding area of more than 7,000 rural Benton, Linn and Lane County Oregonians. The SBRC, under the leadership of Executive Director Janece Cook, has been able to secure the purchase of a facility that would allow them to expand their operations. Now, they need less than \$300,000 to complete necessary renovations. They have not been able to secure financing through traditional lenders, despite demonstrating both need and effectiveness. A public bank focused on public good could be instrumental here.

### **Rural Water Needs**

Many of the agreements and contracts that control water use around the state depend on the assumption that snow and rain will always fall to refill our watersheds. This has become more and more problematic as we face the burden of climate change. We need to be able to drill new wells while we take on the challenge of finding new water resources. One such proposal comes from a member of this committee—Rep. Paul Evans—who has suggested desalination plants that would bring in and purify ocean water for various uses.

Across the State, we're seeing cities and counties being threatened by lack of access to water. In 2021,



hundreds of Klamath County wells ran dry. Human life and the local environment are imperiled by the lack of water, and the county had to start trucking water in to residents and businesses. Crook County is staring down the same issue with precipitation 50-60% below average and water right deliveries already being impacted. Crook County has a total population roughly the size of the City of Milwaukie—and yet—they're not able to attract commercial financing for their needs. Again, a public bank focused on public good would be instrumental here.

### **Addressing Climate Change**

Many across Oregon have asked that public dollars be divested from oil and gas. Despite this, Treasurer Reid has continued to invest in oil and gas—and in other projects that contribute to the ongoing climate change crisis. Having a public bank would help Oregonians to be sure that their money is not being used to support interests that shorten their lives, make their work harder, and endanger their children.

### **The State of Banking in Oregon**

Private banks in Oregon currently house more than \$112 billion dollars in public money, with most of it residing in one large institution. These private banks leverage that money—in the form of new loans—to create their own profits, which are rarely shared in any meaningful way with those to whom the money belongs: the Oregon people.

Since the inception of our State, private banks have used the People's money to enrich themselves and their shareholders, often turning away people, small businesses, and municipalities whose projects are considered “too small” for their portfolio. This has led to dwindling infrastructure projects and business support, especially in rural Oregon, without significant funding from State and Federal resources. Despite incoming relief from COVID-19 funding, many of these issues have persisted for so long that they have now become far more expensive and far more urgent.

Of the \$112 billion taxpayer dollars in the Oregon state budget—all of which is being leveraged as assets by the private banks in which it is held—a 1% minimum return would be more than another BILLION dollars, without creating any new taxes. We know that commercial lenders are charging much more interest than 1%, but still: that is money that can and should belong to Oregonians first.

During the February 16th public hearing, we heard from an individual that Oregon's current commercial banking entities are sufficient to the needs of Oregonians. Simply put, this is not true. If it were, we would not have unfinished projects of all sizes dotting the state. The City of Monroe wouldn't have come to us for help to address their water crisis and the needs of their resource center. Because existing limitations, credit unions cannot leverage more than 13% of their total resources in loans. Community banks may not have the assets necessary to fund projects for the towns they exist in, and large commercial Wall Street banks aren't interested in “small potatoes” projects. None of these entities are putting the considerations of public good first, but a public bank, chartered to work for the good of all Oregonians, could ensure that we meet public needs under suitable repayment terms for everyone.

In addition to this, a public bank is not a retail bank in the traditional sense. While we don't yet know what the task force will recommend regarding some industries access to depositories, we do know that traditional public banks act as correspondents for other financial institutions. This means that the



public banks work with credit unions and community banks to back loans, with the credit unions and community banks managing loans and repayment on behalf of the public bank. This strengthens Oregon's financial system rather than weakening it.

### **Conclusion**

There is much more that I could say about why we need House Bill 2763, but to be brief, I will simply reiterate that it would give us the opportunity to examine a new way of financing public good projects across the state. The task force will review the available evidence and prepare a report to be taken up in a future legislative session. That work can only benefit Oregon as we prepare to meet challenges in a landscape forever changed by shifting climate issues, an ongoing pandemic, and burgeoning economic needs. The circumstances we face are urgent, and I implore you to support House Bill 2763.

With gratitude and hope,

Kelie McWilliams  
Executive Director