
A BILL FOR AN ACT

RELATING TO STATE-OWNED BANK.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the Bank of North
2 Dakota is the only state-owned and state-operated financial
3 institution in the United States. Under North Dakota law, the
4 bank is set up as the State of North Dakota doing business as
5 the Bank of North Dakota. All state funds, as well as funds
6 administered by state and county agencies, are deposited with
7 the Bank of North Dakota, thus creating a large deposit base.

8 In addition to paying competitive interest rates to the
9 state treasurer, the Bank of North Dakota also invests its
10 moneys in loan programs to spur economic development within the
11 State. The Bank of North Dakota also regularly turns over a
12 portion of its profits to the state general fund. Over the past
13 decade, the bank has turned over approximately one-third of
14 \$1,000,000,000 to the state general fund, and despite the recent
15 financial crisis, the bank earned record profits in 2008, with
16 net earnings of approximately \$57,000,000.

17 Rather than competing with private banks, the Bank of North
18 Dakota has created partnerships with over one hundred other



1 North Dakota financial institutions to assist them in meeting
2 the needs of the citizens of North Dakota.

3 The legislature further finds that a state-owned bank would
4 promote agriculture, education, community development, economic
5 development, housing, and industry in the State by building a
6 resource to help stabilize and expand the State's economy; use
7 the resources of the people of the State within the State;
8 support the common good and public benefit of the State; and
9 leverage the State's financial capital and resources. A state-
10 owned bank may work in partnership with financial institutions,
11 community-based organizations, economic development groups,
12 guaranty agencies, and other stakeholder groups to better the
13 State's economy.

14 The purpose of this Act is to establish a task force within
15 the department of commerce and consumer affairs to:

- 16 (1) Study the feasibility of establishing a state-owned
17 bank in Hawaii; and
- 18 (2) Consider other programs or options that could serve
19 the same purposes or achieve the same goals as a
20 state-owned bank.

21 SECTION 2. (a) There is established a task force within
22 the department of commerce and consumer affairs for



1 administrative purposes to study the feasibility of establishing
2 a state-owned bank and to consider other programs and options
3 that could serve the same purposes as a state-owned bank. The
4 task force shall consist of the following members:

5 (1) A representative from the department of budget and
6 finance, financial administration division;

7 (2) A representative from the department of business,
8 economic development, and tourism, research and
9 economic analysis division;

10 (3) A representative from the department of commerce and
11 consumer affairs, division of financial institutions;

12 (4) A representative from the department of agriculture,
13 agricultural loan division;

14 (5) A representative from the Economic Research
15 Organization at the University of Hawaii;

16 (6) A representative from the Shidler college of business
17 at the University of Hawaii at Manoa, financial
18 economics and institutions department;

19 (7) A representative from the Hawaii strategic development
20 corporation;



- 1 (8) The executive director of the Hawaii housing finance
2 and development corporation, or the executive
3 director's designee;
- 4 (9) A member of the native Hawaiian community with a
5 background in community economic development and
6 business assistance in the native Hawaiian community,
7 to be appointed by the Native Hawaiian Chamber of
8 Commerce;
- 9 (10) A representative from the Legal Aid Society of Hawaii;
- 10 (11) A representative from Faith Action for Community
11 Equity;
- 12 (12) A representative of banking and financial
13 institutions, to be appointed by the Hawaii Bankers
14 Association; and
- 15 (13) A neighbor island county representative from the
16 Economic Development Alliance of Hawaii.
- 17 (b) The representative from the department of commerce and
18 consumer affairs, division of financial institutions, shall
19 serve as the chairperson of the task force.
- 20 (c) Task force members shall serve without compensation,
21 but shall be reimbursed for expenses necessary for the
22 performance of their duties, including travel expenses.



1 (d) A task force member who is not otherwise subject to
2 chapter 84, Hawaii Revised Statutes, shall not be made subject
3 to that chapter solely because of the member's participation on
4 the task force.

5 (e) The task force shall explore and evaluate the
6 feasibility of creating a state-owned bank. Among other things,
7 the task force shall review and evaluate the following:

8 (1) The bank of North Dakota, its enabling statutes, its
9 governing structure, and its programs;

10 (2) The findings from Massachusetts studies in creating a
11 state-owned bank, including the *Report of the*
12 *Commission to Study the Feasibility of Establishing a*
13 *Bank Owned by the Commonwealth*;

14 (3) Models used in other states and banking institutions;

15 (4) The effectiveness and usefulness of an existing state-
16 owned bank, specifically the economic impact of having
17 a state-owned bank;

18 (5) Any effects a state-owned bank will have on existing
19 banks and financial institutions in the State;

20 (6) The long-term broad economic impact and long-term job
21 creation and state revenue effects of having a state-
22 owned bank;



- 1 (7) The capital requirements of a state-owned bank;
- 2 (8) Initial capitalization options for a state-owned bank;
- 3 (9) The cash management and banking needs of the State;
- 4 (10) An estimation of the short-term operating costs and
- 5 projected revenues of a state-owned bank; and
- 6 (11) The laws, statutes, rules, and regulations applicable
- 7 to establishing a state-owned bank.

8 (f) The task force shall also consider other programs or
9 options that could serve the same purposes or achieve the same
10 goals as a state-owned bank. The programs or options to be
11 considered shall include:

12 (1) Boston Community Capital's SUN (Stabilizing Urban
13 Neighborhoods) initiative or other similar community
14 development financial institutions; provided that the
15 task force shall review Boston Community Capital as a
16 model of a nonprofit community development financial
17 institution that:

- 18 (A) Buys distressed mortgage loans of owner-occupied
- 19 residential property; and
- 20 (B) Provides new mortgages to the homeowners.

21 The task force shall consider the conditions under
22 which such an option would be feasible in Hawaii;



- 1 (2) Loans and financial assistance offered by the United
2 States Small Business Administration; provided that
3 the task force shall also consider whether any
4 barriers or restrictions exist for small businesses in
5 Hawaii seeking financial assistance;
- 6 (3) The state-administered Hawaii capital loan program
7 that, until 2003, provided loans to eligible Hawaii
8 businesses or other similar loan programs or loan
9 guaranty programs; provided that the task force shall
10 also consider whether any barriers or restrictions
11 exist for small businesses in Hawaii seeking financial
12 assistance;
- 13 (4) Any agricultural loan programs or loan guaranty
14 programs, both at the federal and state levels;
15 provided that the task force shall also consider
16 whether any barriers or restrictions exist for small
17 businesses in Hawaii seeking loans for agricultural
18 businesses; and
- 19 (5) Any investment authority that utilizes existing staff
20 from several state agencies to promote, develop, and
21 invest in clean energy and energy efficiency projects;
22 provided that the task force shall:



1 (A) Review whether an investment fund can leverage
2 its capital to provide low-cost financing to
3 clean energy and energy efficiency projects that
4 a commercial bank would be less likely to invest
5 in; and

6 (B) Investigate how such an investment authority
7 would be funded.

8 (g) For the purposes of subsections (e) and (f), the task
9 force may:

10 (1) Establish investigative subgroups; and

11 (2) Invite experts in relevant fields, including but not
12 limited to banking, finance, economics, and community
13 development, to provide information and assistance to
14 the task force.

15 (h) The task force shall submit a report of its findings
16 and recommendations, including proposed legislation, if any, to
17 the legislature no later than twenty days prior to the convening
18 of the regular session of 2013.

19 (i) The task force shall cease to exist on June 30, 2013.

20 SECTION 3. The legislative reference bureau shall assist
21 the task force in preparing its findings, recommendations, and
22 proposed legislation; provided that the task force shall submit



1 a draft of its findings, recommendations, and proposals for
2 legislation to the legislative reference bureau by no later than
3 November 1, 2012.

4 SECTION 4. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2012-2013 to
7 support the work of the task force, including for necessary
8 travel expenses of neighbor island members of the task force and
9 expenses incurred in consulting with persons knowledgeable in
10 issues relevant to the task force's work; provided that the
11 appropriated funds shall be in addition to and not come from
12 funds budgeted or allocated to the division of financial
13 institutions of the department of commerce and consumer affairs.

14 The sum appropriated shall be expended by the department of
15 commerce and consumer affairs for the purposes of this Act.

16 SECTION 5. This Act shall take effect on July 1, 2112.



Report Title:

Financial Institutions; State-owned Bank; Task Force

Description:

Establishes a task force to review, investigate, and study the feasibility and cost of establishing: (1) A state-owned bank; and (2) Other programs or options that would serve the purposes and goals of a state-owned bank. Requires a report to the Legislature. Effective 07/01/2112. (SD1)

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