A BILL FOR AN ACT

RELATING TO PUBLIC BANKING.

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

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

The legislature further finds that in addition to paying competitive interest rates to the state treasurer, the Bank of North Dakota also invests its moneys in loan programs to spur economic development within the State. The Bank of North Dakota also regularly turns over a portion of its profits to the state general fund. In 2019, the Bank of North Dakota had total assets of $7,000,000,000 and ended the year with total equity of $939,000,000, an increase of $77,000,000 over 2018.

Additionally, the State of North Dakota's return on its investment at the Bank of North Dakota was a healthy 18.6 per
cent. Since its establishment in 1919, the Bank of North Dakota has returned more than $1,000,000,000 to the State of North Dakota through the general fund, infrastructure, disaster relief, and other special programs, while helping thousands of North Dakotans with agricultural, business, home, and student loans. Rather than competing with private banks, the Bank of North Dakota has created partnerships with over one hundred other North Dakota financial institutions to assist them in meeting the needs of the citizens of North Dakota.

The legislature additionally finds that a state-owned bank would promote agriculture, education, community development, economic development, housing, and industry in Hawaii by building a resource to help stabilize and expand the State's economy; use the resources of the people of Hawaii within the State; support the common good and public benefit of the State; and leverage the State's financial capital and resources. A state-owned bank may work in partnership with financial institutions, community-based organizations, economic development groups, guaranty agencies, and other stakeholder groups to better Hawaii's economy. Additionally, a state-owned bank could leverage public and private dollars to finance and
support sustainable and forward-thinking projects, which would benefit the public interest.

The legislature also finds that Hawaii residents could meaningfully benefit from expanded access to below market rate capital for creditworthy and socially beneficial projects, including support for public infrastructure, affordable housing and neighborhood revitalization, small business lending, and higher education financing. The legislature notes that lack of access to small business loans, affordable higher education, and affordable housing contributes to Hawaii's startling income gap where the median income gap between the richest census tract in the State and the poorest is more than $152,000.

The purpose of this Act is to establish an implementation board within the department of commerce and consumer affairs to study the feasibility of establishing a state-owned bank in Hawaii, including the planning and development of a state-owned bank.

SECTION 2. (a) There is established, within the department of commerce and consumer affairs for administrative purposes, an implementation board to study the feasibility of establishing a state-owned bank, including the planning and
development of the state-owned bank. The implementation board shall consist of the following members:

(1) A representative from the department of commerce and consumer affairs, division of financial institutions, who shall serve as chair of the implementation board;

(2) A representative from the department of agriculture, agricultural loan division;

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

(4) A representative from the department of business, economic development, and tourism, research and economic analysis division;

(5) A representative from the economic research organization at the University of Hawaii;

(6) A representative from the Shidler college of business at the University of Hawaii at Manoa, finance department;

(7) A representative from the Hawaii strategic development corporation;
The executive director of the Hawaii housing finance and development corporation, or the executive director's designee;

A member of the native Hawaiian community with a background in community economic development, to be appointed by the Office of Hawaiian Affairs; and

One representative from each of the following, to serve at the invitation of the chair:

(A) Legal Aid Society of Hawaii;

(B) Faith Action for Community Equity;

(C) Hawaii Appleseed Center for Law and Economic Justice; and

(D) Neighbor island Economic Development Board of the Economic Development Alliance of Hawaii.

Members of the implementation board shall serve without compensation, but shall be reimbursed for reasonable expenses necessary for the performance of their duties, including travel expenses. No member of the implementation board shall be made subject to chapter 84, Hawaii Revised Statutes, solely because of that member's participation as a member of the implementation board.
(c) The implementation board shall explore and evaluate the feasibility of creating a state-owned bank. Among other things, the implementation board shall review and evaluate the following:

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

(2) The findings from Massachusetts studies in creating a state-owned bank, including the 2011 Report of the Commission to Study the Feasibility of Establishing a Bank Owned by the Commonwealth;

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

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

(5) Any effects a state-owned bank will have on existing banks and financial institutions;

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

(7) The capital requirements of a state-owned bank;

(8) Initial capitalization options for a state-owned bank;
(9) The cash management and banking needs of the State;

(10) An estimation of the short-term operating costs and projected revenues of a state-owned bank; and

(11) The laws, statutes, rules, and regulations applicable to establishing a state-owned bank.

(d) For the purposes of subsection (c), the implementation board may:

(1) Establish investigative committees; and

(2) Invite experts in relevant fields, including but not limited to banking, finance, economics, and community development, to provide information and assistance to the implementation board.

(e) The implementation board may request and shall receive from every department, division, board, bureau, commission, or other agency of the State cooperation and assistance in the performance of its duties under this Act.

(f) The implementation board shall be exempt from part I of chapter 92, Hawaii Revised Statutes; provided that the department of commerce and consumer affairs shall make available to the public the minutes of the implementation board on the
department of commerce and consumer affair's website. The implementation board shall be purely advisory in nature.

(g) The implementation board shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2022.

(h) The implementation board shall cease to exist on June 30, 2022.

SECTION 3. The legislative reference bureau shall assist the implementation board in preparing its findings, recommendations, and proposed legislation; provided that the implementation board shall submit a draft of its findings, recommendations, and proposed legislation to the legislative reference bureau no later than December 1, 2021.

SECTION 4. This Act shall take effect on July 1, 2021.

INTRODUCED BY: ___________________________ JAN 26 2021
Report Title:
Implementation Board; State-Owned Bank; Financial Institutions

Description:
Establishes an implementation board to review, investigate, and study the feasibility of establishing a state-owned bank. Requires a report to the legislature prior to the regular session of 2022.

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