
A BILL FOR AN ACT

RELATING TO PUBLIC BANKING.

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 The legislature further finds that in addition to paying
9 competitive interest rates to the state treasurer, the Bank of
10 North Dakota also invests its moneys in loan programs to spur
11 economic development within the State. The Bank of North Dakota
12 also regularly turns over a portion of its profits to the state
13 general fund. In 2019, the Bank of North Dakota had total
14 assets of \$7,000,000,000 and ended the year with total equity of
15 \$939,000,000, an increase of \$77,000,000 over 2018.
16 Additionally, the State of North Dakota's return on its
17 investment at the Bank of North Dakota was a healthy 18.6 per



1 cent. Since its establishment in 1919, the Bank of North Dakota
2 has returned more than \$1,000,000,000 to the State of North
3 Dakota through the general fund, infrastructure, disaster
4 relief, and other special programs, while helping thousands of
5 North Dakotans with agricultural, business, home, and student
6 loans. Rather than competing with private banks, the Bank of
7 North Dakota has created partnerships with over one hundred
8 other North Dakota financial institutions to assist them in
9 meeting the needs of the citizens of North Dakota.

10 The legislature additionally finds that a state-owned bank
11 would promote agriculture, education, community development,
12 economic development, housing, and industry in Hawaii by
13 building a resource to help stabilize and expand the State's
14 economy; use the resources of the people of Hawaii within the
15 State; support the common good and public benefit of the State;
16 and leverage the State's financial capital and resources. A
17 state-owned bank may work in partnership with financial
18 institutions, community-based organizations, economic
19 development groups, guaranty agencies, and other stakeholder
20 groups to better Hawaii's economy. Additionally, a state-owned
21 bank could leverage public and private dollars to finance and



1 support sustainable and forward-thinking projects, which would
2 benefit the public interest.

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

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

18 SECTION 2. (a) There is established, within the
19 department of commerce and consumer affairs for administrative
20 purposes, an implementation board to study the feasibility of
21 establishing a state-owned bank, including the planning and



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1 development of the state-owned bank. The implementation board
2 shall consist of the following members:

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

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

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

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

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

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

18 (7) A representative from the Hawaii strategic development
19 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, to be
6 appointed by the Office of Hawaiian Affairs; and

7 (10) One representative from each of the following, to
8 serve at the invitation of the chair:

9 (A) Legal Aid Society of Hawaii;

10 (B) Faith Action for Community Equity;

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

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

15 (b) Members of the implementation board shall serve
16 without compensation, but shall be reimbursed for reasonable
17 expenses necessary for the performance of their duties,
18 including travel expenses. No member of the implementation
19 board shall be made subject to chapter 84, Hawaii Revised
20 Statutes, solely because of that member's participation as a
21 member of the implementation board.



1 (c) The implementation board shall explore and evaluate
2 the feasibility of creating a state-owned bank. Among other
3 things, the implementation board shall review and evaluate the
4 following:

- 5 (1) The Bank of North Dakota, and its enabling statutes,
6 governing structure, and programs;
- 7 (2) The findings from Massachusetts studies in creating a
8 state-owned bank, including the 2011 *Report of the*
9 *Commission to Study the Feasibility of Establishing a*
10 *Bank Owned by the Commonwealth*;
- 11 (3) Models used in other states and banking institutions;
- 12 (4) The effectiveness and usefulness of an existing state-
13 owned bank, specifically the economic impact of having
14 a state-owned bank;
- 15 (5) Any effects a state-owned bank will have on existing
16 banks and financial institutions;
- 17 (6) The long-term broad economic impact and long-term job
18 creation and state revenue effects of having a state-
19 owned bank;
- 20 (7) The capital requirements of a state-owned bank;
- 21 (8) Initial capitalization options for a state-owned bank;



1 (9) The cash management and banking needs of the State;

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

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

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

8 (1) Establish investigative committees; and

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

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

17 (f) The implementation board shall be exempt from part I
18 of chapter 92, Hawaii Revised Statutes; provided that the
19 department of commerce and consumer affairs shall make available
20 to the public the minutes of the implementation board on the



1 department of commerce and consumer affair's website. The
2 implementation board shall be purely advisory in nature.

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

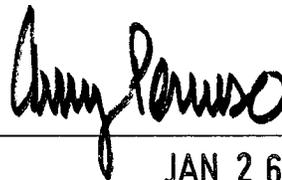
7 (h) The implementation board shall cease to exist on June
8 30, 2022.

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

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

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INTRODUCED BY:



JAN 26 2021



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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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