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TO THE
HOUSE COMMITTEE ON LEGISLATIVE MANAGEMENT

THE TWENTY-FIFTH STATE LEGISLATURE
REGULAR SESSION OF 2010

Wednesday, March 17, 2010
2:30 p.m.

TESTIMONY ON H.C.R. NO. 200 – REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO STUDY THE FEASIBILITY OF ESTABLISHING A STATE-OWNED BANK.

THE HONORABLE JAMES KUNANE TOKIOKA, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). We appreciate the opportunity to testify on House Concurrent Resolution No. 200. The Department supports this resolution.

The purpose of this resolution is to request the Legislative Reference Bureau to study the feasibility of establishing a State-owned bank, ostensibly based on the Bank of North Dakota model. While that model has reportedly been successful in North Dakota it should be noted that the banking and financial services landscape in that state is far different than that which prevails in Hawaii. Whereas Hawaii has a relatively small

number of comparatively large commercial banks, North Dakota, by contrast, has a greater number of small commercial banks. The Bank of North Dakota serves as a "central bank" for these smaller organizations, providing clearing and payment services, settlement programs and other correspondent banking services, which the larger Hawaii banks either do not need or which they already obtain elsewhere. Additionally, most government deposits are placed with the Bank of North Dakota, as opposed to being distributed among the local banks, a concentration issue which needs careful consideration before implementation.

Therefore, while the concept of a State-owned bank, based on the Bank of North Dakota, is a concept that appears to have merit, a feasibility study by the Legislative Reference Bureau is clearly in order to determine if that model would be compatible with the State of Hawaii's existing financial institution infrastructure and what issues, if any, might be raised if such a program were developed.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.

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LEGISLATIVE REFERENCE BUREAU
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Written Testimony

HCR200

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO STUDY THE FEASIBILITY OF ESTABLISHING A STATE-OWNED BANK.

Testimony by the Legislative Reference Bureau
Ken H. Takayama, Director

Presented to the House Committee on Legislative Management

Wednesday, March 17, 2010, 2:30 p.m.
Conference Room 329

Chair Tokioka and Members of the Committee:

Thank you very much for this opportunity to testify on House Concurrent Resolution No. 200, which directs the Legislative Reference Bureau (Bureau) to study the feasibility of establishing a state-owned bank.

The Bureau takes **no position** either for or against the measure, but submits the following comments and concerns:

1. As always, if the Legislature wants us to do this study, we will do it to the best of our ability with the resources we have.
2. As drafted, the scope of the study directed by the measure appears to be manageable.

Thank you very much for this opportunity to testify.

boshiro3-Blanka

From: Ian Chan Hodges [chanhodes@hawaii.rr.com]
Sent: Tuesday, March 16, 2010 10:01 AM
To: LMGtestimony
Subject: Please replace previous testimony with this corrected version-Mahalo

Testimony in support of House Concurrent Resolution 200
REQUESTING THE LEGISLATIVE REFERENCE BUREAU
TO STUDY THE FEASIBILITY OF ESTABLISHING A STATE-OWNED BANK.

Rep. James Kunane Tokioka, Chair
Rep. Blake K. Oshiro, Vice Chair

Committee on Legislative Management

Hearing Date:

Wednesday, March 17, 2010

2:30 PM in Room 329

Aloha Chair Tokioka, Vice-Chair Oshiro and members of the Committee,

My name is Ian Chan Hodges and I want to thank you for the opportunity to provide written testimony in support of HCR 200, which requests the Legislative Reference Bureau, with the assistance of the Department of Commerce and Consumer Affairs, to conduct a study on the feasibility of establishing a state-owned bank in Hawaii, similar to the Bank of North Dakota.

Last month, after pointing out that the Bank of North Dakota is not the only reason for North Dakota's relative fiscal health, the conservative *Bismark Tribune* had this to say in an editorial on the state-owned bank:

It has been a financial backstop for farmers and ranchers, guaranteed generations of college loans, put bank profits into the state general fund, and supported private banks throughout the state. And historically it has given North Dakota more control over its finances, a benefit that goes back to a time when banks were as political as newspapers and the state's economy was controlled by out-of-state railroad and milling interests.

The Bank of North Dakota has been working for the citizens of the Roughrider State for generations. Requesting that the LRB and DCCA study the feasibility of establishing a similar state-owned bank in Hawaii makes a lot of sense in these tough economic times.

I ask that you support HCR 200 and thank you again for this opportunity to provide testimony.