
A BILL FOR AN ACT

RELATING TO THE BANK OF THE STATE OF HAWAII.

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 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 state
9 treasurer, the Bank of North Dakota also invests its moneys in
10 loan programs to spur economic development within the State.
11 The Bank of North Dakota also regularly turns over a portion of
12 its profits to the state general fund. Over the past decade,
13 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 grow the State's economy; use the
7 resources of the people of the State within the State; support
8 the common good and public benefit of the State; and leverage
9 the State's financial capital and resources. A state-owned bank
10 may work in partnership with financial institutions, community-
11 based organizations, economic development groups, guaranty
12 agencies, and other stakeholder groups to better the State's
13 economy.

14 The purpose of this Act is to establish a task force on
15 establishing the bank of the State of Hawaii to review,
16 investigate, and otherwise study an existing state-owned bank
17 and any applicable laws necessary to establish a bank of the
18 State of Hawaii, and create an implementation plan for the bank
19 of the State of Hawaii.

20 SECTION 2. (a) There is established a task force on
21 establishing the bank of the State of Hawaii. The task force
22 shall consist of the following members:



- 1 (1) One member appointed by the governor who shall have
2 experience in banking and financial management;
- 3 (2) One member of the senate, appointed by the president
4 of the senate;
- 5 (3) One member of the house of representatives, appointed
6 by the speaker of the house of representatives;
- 7 (4) The director of the department of budget and finance
8 or the director's designee;
- 9 (5) The director of the department of labor or the
10 director's designee;
- 11 (6) The attorney general or the attorney general's
12 designee;
- 13 (7) The commissioner of the department of commerce and
14 consumer affairs, division of financial institutions,
15 or the commissioner's designee;
- 16 (8) A member from the Hawaii state association of
17 counties;
- 18 (9) A member from an organization representing banking and
19 financial institutions; and
- 20 (10) A member from a trade association representing credit
21 unions;



1 provided that the members in paragraphs (9) and (10) shall be
2 appointed jointly by the president of the senate and the speaker
3 of the house of representatives.

4 (b) The commissioner of the department of commerce and
5 consumer affairs, division of financial institutions, shall
6 serve as the chairperson of the task force.

7 (c) The members of the task force shall not receive
8 compensation for their services but shall be reimbursed for
9 necessary expenses, including travel expenses, incurred in the
10 performance of their duties under this Act.

11 (d) The task force shall review, evaluate, and create an
12 implementation plan for the creation of the bank of the State of
13 Hawaii. Among other things, the task force shall review and
14 evaluate the following:

- 15 (1) The bank of North Dakota, its enabling statutes, its
16 governing structure, and its programs;
- 17 (2) The feasibility of Hawaii creating a state-owned bank
18 similar to that of the bank of North Dakota;
- 19 (3) The effectiveness and usefulness of an existing state
20 bank, specifically the economic impact of having a
21 state bank;



- 1 (4) The laws, statutes, rules, and regulations applicable
- 2 to establishing a state-owned bank;
- 3 (5) The capital requirements of a state-owned bank;
- 4 (6) Initial capitalization options for a state-owned bank;
- 5 (7) The cash management and banking needs of the State;
- 6 (8) An estimation of the short-term operating costs and
- 7 projected revenues of a bank of the State of Hawaii;
- 8 (9) The long-term broad economic impact and long-term job
- 9 creation and state revenue impacts of having a bank of
- 10 the State of Hawaii;
- 11 (10) Any impacts to existing banks and financial
- 12 institutions in the State;
- 13 (11) Sound underwriting practices necessary for a state-
- 14 owned bank;
- 15 (12) Standards to ensure that loans result in the outcomes
- 16 described in the approved loan applications;
- 17 (13) Ethics and conflict of interest requirements for the
- 18 board, offices, and employees of a state-owned bank;
- 19 (14) Transparency requirements for the operations of a
- 20 state-owned bank; and
- 21 (15) Any necessary legislation to establish a state-owned
- 22 bank.



1 (e) The task force shall submit an interim report to the
2 legislature no later than twenty days prior to the 2012 regular
3 session. The interim report shall include a review of the bank
4 of North Dakota model, the feasibility of creating a bank of the
5 State of Hawaii, and the short- and long-term economic impacts
6 of a state-owned bank, along with other initial findings.

7 (f) The task force shall submit its final report to the
8 legislature no later than twenty days prior to the 2013 regular
9 session. The final report shall include the estimated cost to
10 start a bank of the State of Hawaii, the task force's findings
11 and recommendations, and any necessary legislation for the
12 creation of the bank of the State of Hawaii.

13 SECTION 4. The task force shall cease to exist on June 30,
14 2013.

15 SECTION 5. The legislative reference bureau shall provide
16 the research and organizational support services necessary to
17 assist the task force in achieving its purposes as required
18 under this Act.

19 SECTION 6. This Act shall take effect upon its approval.



Report Title:

Financial Institutions

Description:

Establishes a task force to review, investigate, and study the feasibility and cost of establishing the bank of the State of Hawaii. Requires reports to the Legislature. (HB853 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

