JAN 1 5 2025

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 while the Bank of 2 North Dakota remains the nation's only state-owned and state-3 operated financial institution, the concept of leveraging public funds for economic development is not unique. Across the United 4 5 States and globally, similar institutions, such as state green 6 banks and sovereign wealth funds, demonstrate the potential for 7 public financial systems to promote economic stability, 8 community well-being, and long-term growth.

9 State green banks, operating in Connecticut, New York, and 10 Hawaii, successfully leverage public and private capital to 11 finance renewable energy and climate-resilient infrastructure. 12 These banks act as public financial tools to catalyze investment 13 in projects that support the public good, while offering below-14 market rate financing to expand access for creditworthy 15 initiatives.

16 Furthermore, sovereign wealth funds, established in17 jurisdictions worldwide, play a similar role by investing public



revenues into diverse, sustainable programs, including
 infrastructure, affordable housing, small business development,
 and education. For example, Alaska's Permanent Fund serves as a
 critical financial instrument to benefit the state's residents
 while preserving and growing public wealth over time.

6 The legislature further finds that a state-owned financial 7 institution in Hawaii would similarly address the pressing needs 8 of the State by providing access to affordable capital for 9 public infrastructure, small businesses, housing, and higher 10 education. These institutions demonstrate that public financial systems can operate alongside private banks to foster economic 11 12 development without displacing existing financial institutions. The Bank of North Dakota, for instance, partners with over one 13 hundred local financial institutions to increase lending 14 capacity and expand services to underserved communities. 15

Hawaii's economic challenges, including its widening income gap, lack of affordable housing, and barriers to small business growth, necessitate forward-thinking solutions. A state-owned bank would offer the State a mechanism to stabilize and strengthen its economy, reduce the outflow of public funds to



1 private financial markets, and ensure that public capital is 2 reinvested for the benefit of Hawaii's residents. 3 The purpose of this Act is to establish a state-owned bank implementation board to explore the feasibility, costs, and 4 5 benefits of creating a public financial institution. By 6 examining models like state green banks, sovereign wealth funds, 7 and the Bank of North Dakota, the State can identify pathways to leverage public capital for the common good, promote economic 8

9 resilience, and ensure that the resources of the State serve the 10 public interest.

SECTION 2. (a) There is established, within the department of commerce and consumer affairs for administrative purposes, a state-owned bank implementation board to determine the need for, potential costs and benefits of, and prerequisites to establishing a state-owned bank.

16 (b) The implementation board shall consist of the17 following members:

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



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1	(2)	A representative from the department of agriculture,
2		agricultural loan division;
3	(3)	A representative from the department of budget and
4		finance, financial administration division;
5	(4)	A representative from the department of business,
6		economic development, and tourism, research and
7		economic analysis division;
8	(5)	A representative from the university of Hawaii
9		economic research organization;
10	(6)	A representative from the Shidler college of business
11		at the university of Hawaii at Manoa, finance
12		department;
13	(7)	A representative from the Hawaii strategic development
14		corporation;
15	(8)	The executive director of the Hawaii housing finance
16		and development corporation, or the executive
17		director's designee;
18	(9)	A member of the native Hawaiian community with a
19		background in community economic development, to be
20		appointed by the office of Hawaiian affairs; and



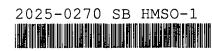
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1	(10)	One representative from each of the following, to
2		serve at the invitation of the chair:
3		(A) Legal Aid Society of Hawaii;
4		(B) Faith Action for Community Equity;
5		(C) Hawaii Appleseed Center for Law and Economic
6		Justice;
7		(D) Neighbor island Economic Development Board of the
8		Economic Development Alliance of Hawaii; and
9		(E) Hawaii Consumer Council.
10	(c)	Members of the implementation board shall serve
11	without c	ompensation but shall be reimbursed for reasonable
12	expenses	necessary for the performance of their duties,
13	including	travel expenses.
14	(d)	The implementation board shall review and evaluate the
15	following	:
16	(1)	The Bank of North Dakota and its enabling statutes,
17		governing structure, and programs;
18	(2)	The findings from Massachusetts studies in creating a
19		state-owned bank, including the 2011 Report of the
20		Commission to Study the Feasibility of Establishing a
21		Bank Owned by the Commonwealth;



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1	(3)	Any relevant models used in other states and banking
2		institutions;
3	(4)	The effectiveness and usefulness of an existing state-
4		owned bank, specifically the economic impact of having
5		a state-owned bank;
6	(5)	Any effects a state-owned bank will have on existing
7		banks and financial institutions;
8	(6)	The long-term broad economic impact and long-term job
9		creation and state revenue effects of having a state-
10		owned bank;
11	(7)	The capital requirements of a state-owned bank;
12	(8)	Initial capitalization options for a state-owned bank;
13	(9)	The cash management and banking needs of the State;
14	(10)	An estimate of the short-term operating costs and
15		projected revenues of a state-owned bank; and
16	(11)	The laws, statutes, rules, and regulations applicable
17		to establishing a state-owned bank.
18	(e)	For the purposes of subsection (c), the implementation
19	board may	:
20	(1)	Establish investigative committees; and



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(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.

(f) 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.

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

(h) 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 2027.

19 (i) The implementation board shall cease to exist on20 June 30, 2027.



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, 2027.
 SECTION 4. This Act shall take effect on July 1, 2025.

INTRODUCED BY: Step Co



Report Title:

State-owned Bank Implementation Board; Financial Institutions

Description:

Establishes a state-owned bank implementation board within the Department of Commerce and Consumer Affairs to determine the need for, potential costs and benefits of, and prerequisites to establishing a state-owned bank. Requires a report to the legislature.

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