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# 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  
4 funds for economic development is not unique. Across the United  
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 in  
17 jurisdictions worldwide, play a similar role by investing public



1 revenues into diverse, sustainable programs, including  
2 infrastructure, affordable housing, small business development,  
3 and education. For example, Alaska's Permanent Fund serves as a  
4 critical financial instrument to benefit the state's residents  
5 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  
11 systems can operate alongside private banks to foster economic  
12 development without displacing existing financial institutions.  
13 The Bank of North Dakota, for instance, partners with over one  
14 hundred local financial institutions to increase lending  
15 capacity and expand services to underserved communities.

16 Hawaii's economic challenges, including its widening income  
17 gap, lack of affordable housing, and barriers to small business  
18 growth, necessitate forward-thinking solutions. A state-owned  
19 bank would offer the State a mechanism to stabilize and  
20 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  
4 implementation board to explore the feasibility, costs, and  
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  
8 leverage public capital for the common good, promote economic  
9 resilience, and ensure that the resources of the State serve the  
10 public interest.

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

16       (b) The implementation board shall consist of the  
17 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;



- 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



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 compensation 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;*



- 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



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

5           (f) The implementation board may request and shall receive  
6           from every department, division, board, bureau, commission, or  
7           other agency of the State cooperation and assistance in the  
8           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.

15          (h) The implementation board shall submit a report of its  
16          findings and recommendations, including any proposed  
17          legislation, to the legislature no later than twenty days prior  
18          to the convening of the regular session of 2027.

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



1 SECTION 3. The legislative reference bureau shall assist  
2 the implementation board in preparing its findings,  
3 recommendations, and proposed legislation; provided that the  
4 implementation board shall submit a draft of its findings,  
5 recommendations, and proposed legislation to the legislative  
6 reference bureau no later than December 1, 2027.

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

8

INTRODUCED BY: 





# S.B. NO. 158

**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.

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

