

# Why a Publicly Owned State Bank for Washington?

Contact: [bob.hasegawa@leg.wa.gov](mailto:bob.hasegawa@leg.wa.gov)

pg. 1/1

---

Q-What is a publicly owned state bank? (aka, Washington Investment Trust, [SB 5464](#))

A-Right now our tax dollars are held at the Bank of America. A state bank would keep our tax dollars in Washington State working for the benefit of Washington State, not profits for Wall Street. It could provide financing for roads, schools, water, sewer, and other infrastructure construction projects. It could provide low interest student loans, access to credit for small and local businesses, eventually eliminate debt service to Wall Street, and build huge financing capacity for future generations as it grows. All this while also generating revenue for the state, relieving the burden from taxpayers.

Q-Is this a risky proposition that could jeopardize our tax revenue?

A-It is actually safer than banking with a huge multinational corporation because we're investing in ourselves instead of under-collateralized derivatives and other risky lending strategies big banks cook up to use our tax dollars to make money for themselves.

Q-Isn't it risky to not be insured by the Federal Deposit Insurance Corporation?

A-No, it's actually safer than FDIC insurance because it's insured by the full faith and credit of the state, rather than the \$250,000 limit under the FDIC.

Q-Doesn't this just expand government?

A-No, it can actually streamline government by consolidating the many financing programs the state already has under one roof so state government doesn't have to duplicate professional services currently administered under many Departments. It also gives the people control back over our tax dollars by reclaiming it back from the big banks and giving it back to the peoples' democratically controlled government.

Q-How would this save taxpayers money?

A-Currently, the state pays total debt service of over \$3.2B (VPGO ~ \$2.1B from GF-S; MVFT ~ \$1.1B). This is profit and principle paid directly to Wall Street, right off the top before we fund any programs. Instead we could be borrowing from ourselves and paying that interest back to ourselves. In addition, we can save brokerage fees and also charge a lower rate than the state currently pays Wall Street. Under our current 'profits for Wall Street' model, Washington State doesn't have nearly enough debt capacity to fund all our needed infrastructure projects.

Q-Wouldn't this unfairly compete with community banks and put them out of business?

A-No, if we follow the proven model of the Bank of North Dakota, which works in cooperation with community banks and dramatically increases access to capital for local small businesses, which the big banks tend to ignore. A state bank can also lower costs for community banks by using its economy of scale to provide some banking services for them if they wish and relieving them of some burdensome administrative tasks. (see [www.banknd.nd.gov](http://www.banknd.nd.gov))

(over)

---

Q-Can a state bank really work?

A-Yes, it would be a game changer for our state. The Bank of North Dakota (BND) is a proven model and success since 1919. Most of the industrialized and developing world outside the U.S. uses a public banking model to develop their economies.

A product of the Populist era (circa early 1900's), the BND invests in the people of North Dakota. It doesn't play with derivatives or high risk mortgages so it didn't get burned during the crash. It doesn't pay its executives exorbitant salaries (actually, it's lower than what chauffeurs get on Wall Street.) It just builds the state's economy and returns a profit year after year to the people of North Dakota (last year was it's 12<sup>th</sup> consecutive year of record profits for the people at 18% ROI).

Q-Can a state bank help with funding for infrastructure projects?

A-Yes, it can dramatically increase our infrastructure financing capacity, a capacity that will grow over time. Right now Wall Street prays upon state and local governments who need to borrow money to build schools, roads, utilities and other critical public projects. Those loans (bonds) come with enormous fees and interest rates that often double and triple the cost of these projects. Not so with a public bank whose job it is to build up the state rather than rip it off.

### **So, Why a publicly owned State Bank for Washington?**

- \*\* #1--It will keep taxpayers' money in our state ... working for our state!
- \*\* Finance public works infrastructure and economic development in WA State
- \*\* Save taxpayers' money AND generate revenue for the state
- \*\* Streamline government
- \*\* Create jobs and build infrastructure
- \*\* Create jobs -> more workers spend \$\$ -> create more jobs -> ...
- \*\* Can increase access to capital for small businesses to create and preserve private sector jobs by working with, and supporting local community banks
- \*\* Can support innovation and economic development in new areas like the green economy to create jobs
- \*\* Can lower the cost of student loans
- \*\* It's smart government, and smart use of taxpayers' money—investing in ourselves
- \*\* This builds our state's financing capacity over time **to create a huge resource for future generations, and ... \*\* Independence from Wall Street \*\***

---

## **Invest in Washington, Not Wall Street!!**