

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-6323

AN ACT REQUIRING THE BANKING COMMISSIONER TO UPDATE A

Title: REPORT ON THE ESTABLISHMENT OF A STATE-OWNED BANK.

Vote Date: 3/9/2021

Vote Action: JOINT FAVORABLE

PH Date: 2/18/2021

File No.: 65

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SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

The substitute bill calls on the Department of Banking to renew its previous 2012 report on the establishment of a state-owned bank, and to provide any updates to the issue of state-owned banks or bankers banks that have transpired since the last report.

The proposed bill sought to establish a Connecticut Bank, but this was changed by the banking committee to a bill seeking more information to what a state-owned bank would do and to the necessity of it in the current climate.

(The PH testimony is mostly based on the 1st draft premise that we were trying to establish a CT state bank)

RESPONSE FROM ADMINISTRATION/AGENCY:

Freedom of Information Commission: Does not oppose HB 6323 but recommends some additions to the proposal before it is passed. The commission believes that if the State of Connecticut Bank is established and created to perform essential public and governmental functions that it includes language to ensure transparency.

NATURE AND SOURCES OF SUPPORT:

Susan Johnson, State Representative, Connecticut General Assembly: A state bank will improve the state economy by keeping taxpayer dollars in Connecticut. The pandemic has created new needs for more local financial control. Like the Bank of North Dakota, the Connecticut Bank would be established not to compete with other banks but to “promote agriculture, commerce and industry”. California has recently passed a bill similar to HB 6323

that would have allowed Connecticut to either create a depository bank that can borrow from the Fed at a lower interest rate or expand access to municipalities and non-profit organizations. A Connecticut Bank will expand and stabilize our local economy

Eric J. Bergman, Member, Clinton Green Party: Supports the creation of a public bank similar to the Bank of North Dakota. He believes this would allow CT residents to save and invest without the whim of speculative Wall Street Gambling. He also states that a public bank would help local governments by serving as a transparent depository and would help the economy by creating jobs.

Justin Good, Member, Public Bank Connecticut: Public banking is a unifying idea and in the best interest of Connecticut's long-term sustainability by helping the public invest in its vast wealth. A state-run bank is a much-needed tool to help the local economy, the start-up is neither expensive nor risky, it will save the state money by not having to pay financing charges, and it will support local community banks. He also notes that a public bank will be owned but not run by the state and that a public bank will serve in the public's best interest because it is not simply there to make a profit for its owners.

Michael Harris, Member, Public Bank Connecticut: HB 6323 will improve the way the public's wealth is used to invest in health, well-being, equity and sustainability.

NATURE AND SOURCES OF OPPOSITION:

Bruce Adams, President & CEO, Credit Union League of Connecticut: Opposes the establishment of a state bank. Study was done in 2017 by the Department of Banking Commissioner, Howard Pitkin, who testified that creating a state bank was not a sound idea. This bill would put state bank funds at risk and put current CT financial institutions at a disadvantage.

Tom Mongellow, President & CEO, Connecticut Bankers Association: Concept of creating a state-run bank has been reviewed by the Department of Banking and Massachusetts legislature before and the pursuit of such a bank was not recommended. The Connecticut Bankers Association believes a state-run bank is unnecessary and would have unfair advantages over community banks. Banks throughout the state already participate with state agencies on specialized lending products and thus oppose a competing, costly, and unproven state bank model.

Reported by: Kyle Del Balso / Dawn Marzik

Date: 3/23/21