Source: http://sdc.wastateleg.org/hasegawa/state-bank/

What is the Washington Investment Trust, SB 5995 (2020)?

Also called the State Bank or Public Bank, the Washington Investment Trust would keep our tax dollars in Washington state to work for the benefit of our people, not to increase profits for Wall Street. Right now we are billions of dollars in debt to Wall Street bankers and bond holders, even as we've approached our constitutional debt ceiling.

There are enormous benefits of a public bank:

- it would raise new revenue without raising taxes (because making profits is what banks do best) which relieves the burden of taxpayers;
- it would drastically increase our public financing capacity to invest in infrastructure and other projects for public benefit like roads, schools, water, sewer, green new deal, high speed rail, and other projects;
- it would also provide low interest student loans, access to credit for small and local businesses; and
- eventually, it would eliminate debt service to Wall Street, and build huge financing capacity for future generations as it grows.

Q: How does it work?
A: The Washington Investment Trust would be the depository bank for state tax revenues and other funds — municipalities and other political subdivisions can also participate if they so choose. Our publicly owned bank can leverage our equity for the benefit of Washingtonians, not Wall Street bankers.

Q: What is our current structure?
A: Under the current structure, private commercial banks handle state tax revenues and leverage them for their private profit. In the meantime, if we want to build something, we need to sell bonds to finance it, i.e. go back to Wall Street to borrow what essentially would otherwise be our own money.
For example, a billion dollars in bond sales can cost taxpayers $2-3 billion over the next 25-30 years to repay, depending on bond ratings and interest rates. It's like taking out a mortgage for a house, but the state takes out new mortgages year after year. Our state constitution limits the amount of debt we can accumulate, and we've been near our constitutional debt limit for quite some time. In other words, we can't borrow more money to build anything unless we pay off 25 year old debt first to free up new debt capacity. This has naturally led to our aging and crumbling infrastructure while Wall Street sucks up our tax dollars from our General Fund.

Q: Is this a risky proposition that could jeopardize our tax revenue?
A: A public bank is safer than banking with a huge multinational corporation because we're investing in ourselves instead of risky lending strategies big banks cook up to use our tax dollars to make money for themselves. For example, North Dakota, which is the only state in the United States with a public bank, also was the only state that didn't have a budget deficit and had no community bank failures during the Wall Street created recession of 2008.

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 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, which our constitution requires that we pay right out of our General Fund before we fund any programs like education. 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, we can 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 Wall Street banks tend to ignore. A state bank can also lower costs for community banks by using 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)

Q: Can a state bank really work?
A: Yes, it would be a game changer for our state. The Bank of North Dakota is a proven model, overcoming significant opposition from big bankers. In fact, most of the industrialized and developing countries outside the United States use 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 its 15th consecutive year of record profits for the people at 18% return on investment.

Q: Can a state bank help with funding for infrastructure projects?
A: Yes, it can dramatically increase our infrastructure financing capacity which continues to grow. Right now, Wall Street preys upon state and local governments who need to borrow money to build schools, roads, utilities and other critical public projects. Those loans or 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.

Q: So, why a publicly owned, state bank for Washingtonians?
A: It will keep taxpayers' money in our state … working for our state!
It will finance public works infrastructure and economic development in Washington state.
It will save taxpayers' money AND generate revenue for the state.
It will streamline government.
It will create jobs and build infrastructure.
It will create jobs, paying more workers to spend their money and create even more jobs, fueling our local economies.
It will increase access to capital for small businesses to create and preserve private sector jobs by working with, and supporting local community banks.
It will support innovation and economic development in new areas like the green economy to create jobs.
It will lower the cost of student loans.
It's smart government, and smart use of taxpayers' money — investing in ourselves.
It will build our state's financing capacity over time to create a huge resource for future generations and **gain our independence from Wall Street.**