



STATE OF OREGON
OREGON STATE TREASURY
159 STATE CAPITOL, 900 COURT ST NE
SALEM, OREGON 97301-4043

January 13, 2011

Legislative Assembly
Oregon State Capitol
Salem, Oregon 97301

Re: Oregon State Bank

Dear Legislators:

The notion of an “Oregon State Bank” is a subject of much recent discussion, and the State Treasury has been asked to weigh in on this subject. I believe the state can do more to achieve an important desire that is driving this conversation: increasing the availability of credit financing in Oregon.

I want to underscore that I am committed to the goal of making additional capital accessible to help Oregon businesses and communities, and I believe that improving financial tools and expanding the availability of money to lend will be an important catalyst to help Oregon’s economy recover and grow. I also hope to invest in Oregon communities by facilitating the deposit of additional public funds in institutions that do business in Oregon.

All of these goals are achievable. However, it is vital to structure a solution that ensures the highest benefit for Oregon families, businesses and communities, while also adhering to our highest obligation: our public funds must remain safe.

The “Oregon State Bank” label has been applied to multiple concepts, some of which the State Treasury supports and some of which it does not. To clarify my position and that of the State Treasury, I want to enumerate the various elements of these plans that I will and will not support.

The State Treasury supports, and will work with partners to create, a plan that:

- Uses innovative and responsible financing tools to help sustain and grow Oregon businesses,
- Contains some measure of benchmarks and accountability to ensure that resources are being used effectively,

- Serves as a complement (and not a competitor) to Oregon's existing system of community banks and credit unions through uses of leverage and credit enhancement programs,
- Is run through existing State infrastructure, and
- Consolidates Oregon's existing economic development funds and programs under a single roof and manager (when practicable) to better align these efforts with our objectives. (This point has already been expressly recommended to Governor Kitzhaber's transition team.)

The State Treasury does not support any program that:

- Engages in direct competition with Oregon's existing community banks or credit unions,
- Places insufficiently-collateralized deposits in any institution – even one that is state-run,
- Adversely affects the liquidity of necessary public funds,
- Appropriates new public dollars for this program without first maximizing the efficiency of the existing dollars, or
- Violates fiduciary obligations on existing trust funds.

Naturally, there are many details to be worked out beyond these principles, and I am looking forward to working with you, along with stakeholders and the Oregon public, to craft a solution that is consistent with these values.

I believe that we will be able to outline a program that can be broadly supported and that provides the most productive avenue through which to send capital efficiently and responsibly to Oregon's communities.

Yours,

A handwritten signature in black ink, consisting of several slanted, parallel lines followed by a horizontal line that tapers to the right.

Ted Wheeler
State Treasurer