

# SHOULD NEW JERSEY START BANKING ON A STATE BANK?

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support for the concept last December, shortly before being sworn into office, when he announced his nomination of then Assemblywoman Marlene Caride, a Bergen County Democrat, to head the state Department of Banking and Insurance. DOBI would also be charged with helping establish and monitor the bank.

Two state senators, Nia Gill and Richard Codey, both Essex County Democrats, have introduced legislation ( ) to create the bank, set up a board of directors, spell out the activities that the bank could undertake both in investing funds and lending money, and establish auditing and oversight of the institution. That measure is awaiting a hearing by the Senate Commerce Committee.

Figart undertook a study on public banking as a result of Murphy's call for it. Through it, she look at the Bank of North Dakota, the only public bank currently functioning, as well as plans for other public banks for Vermont and Santa Fe, New Mexico.

In her report, Figart discusses the record of the Bank of North Dakota, which is almost a century old, finding it has been effective and could serve as a model for New Jersey.

"It is highly successful and was not affected by the 2008 financial crisis," Figart said of BND. "It has been returning surplus revenue to North Dakota for decades."

Figart recommends that Murphy appoint a team of independent expert consultants to conduct a feasibility study for the proposed bank and that the state treasurer and the DOBI commissioner draft a business plan for it.

Her report also offers about two dozen questions for lawmakers and state officials to consider as they explore the idea. Among the questions: Where are the state's deposits currently held; how will the bank be initially capitalized; and who would be required to deposit funds into the bank?

"Having answers to the questions would help a State Bank of New Jersey open efficiently," Figart said.

One of the major criticisms leveled against Murphy's state bank proposal during the campaign was that it could become rife with political corruption, as bank officers would lend money at favorable rates to the family, friends and cronies and that such loans might never be paid off.

That can be avoided, Figart said. "The proposed legislation names a board whose members draw on banking and finance experience. The legislation calls for independent audits and other safety measures."

The idea of a public bank has proven popular. Since the Great Depression, more than 20 states have introduced bills to establish state owned banks or at least to study their economic feasibility, according to the Stockton report. At least a dozen cities across the country are also looking into the concept. The nonprofit Public Banking Institute was founded at the beginning of this decade to advance the idea across the country.

Mchael W. Klein, interim executive director of the Hughes Center, said the report is "perfectly timed" given M Ubrae orM dMAtPoDaHaving araAta ety



