Washington State Public Bank Work Group

Summary of Work Group Meeting 2: August 24, 2026

Attendance

Work Group (WG) Voting Members

- Charlie Clark (Chair), Department of Financial Institutions (DFI)
- Senator Bob Hasegawa
- Richelle Geiger, Office of the Insurance Commissioner
- Scott Nelson, Washington State Auditor's Office
- Jasmine Vasavada, Office of the Washington State Treasurer (OST)
- Greg Guedel, Industry Expert
- Wayne Lau, Industry Expert
- Marco Rossi, Industry Expert
- Brian Sullivan, Industry Expert
- Peter Tomozawa, Industry Expert

Non-Voting Work Group Participants

- Maria Jawad, Washington State Department of Commerce (COM)
- Rebecca Ponzio (COM)

Guest Presenters from Bank of North Dakota

- Don Morgan, President/Chief Executive Officer
- Robert Pfennig, Chief Financial Officer
- Kelvin Hullet, Chief Public Affairs Officer

Other Attendees: Tammie Nuber (OST), Amanda Hutson (OST), Sean Koval (OST), Sarah Reuben (Legal Assistant to Senator Hasegawa)

DFI Support Staff: Matthew Harvey, Christian Salyers, Ashley Dalmy

BERK Consulting: Brian Murphy, Julia Tesch, Oliver Hirn, Ariel Hsieh

Meeting Summary

8:00 – 8:05 am

- **Welcome and Agenda Review:** DFI opened the meeting, previewing the meeting agenda and welcoming guest speakers from BND.

8:05 – 8:25 am

- **Review Guiding Project Direction.** BERK presented an overview of key foundational elements of the project:
  - **Project arc.** BERK noted the project arc will likely evolve as the project progresses, and BERK will keep WG members updated about any future changes. There were no questions from WG members on the project arc.
  - **Proposed WG charter and operating agreements.** WG members will vote to adopt the charter in WG meeting 3. There were no questions from WG members on the draft charter and operating agreements.

8:25 – 9:05 am

- **Bank of North Dakota Presentation:** Don Morgan presented on the structure of BND and its lines of business. The presentation slides are included below.

9:05 – 9:50 am

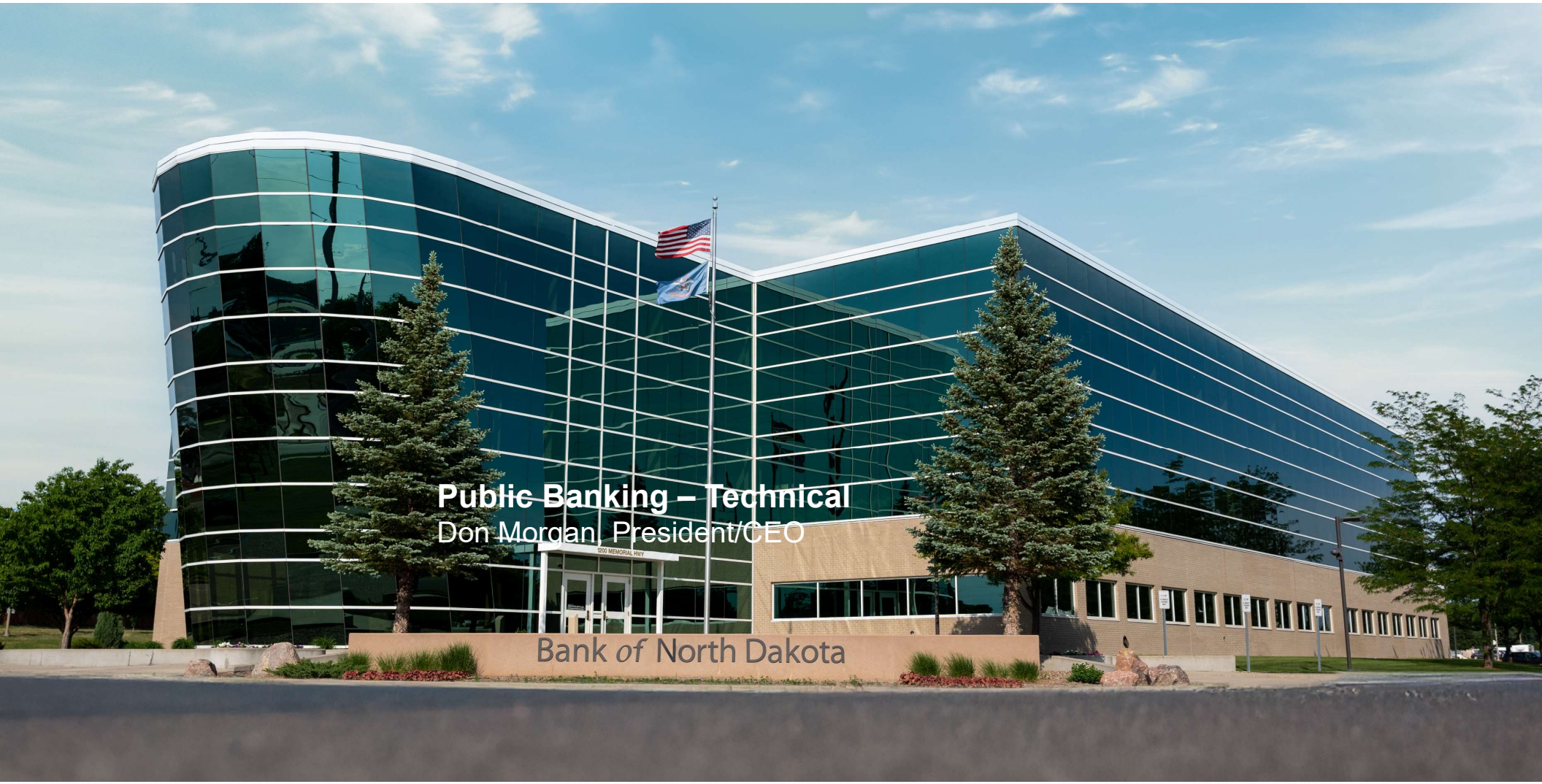
- **Bank of North Dakota Q&A:** Don Morgan, Robert Pfennig, and Kelvin Hullet engaged in Q&A with WG members. Questions covered a wide range of topics, including questions about BND's governance structure and relationship with elected officials, risk management, Federal Reserve access, recruiting and staffing, and start-up considerations for a new public bank.

9:50 – 10:00 am

- **Roundtable:** WG members were each given an opportunity to respond to the following prompt: *Share a key takeaway from the BND discussion.* Response themes included:
  - Appreciation for the BND guest presenters.
  - Interest in BND's structure as an independent institution and its successes as well as challenges.
  - Curiosity about how the BND model would fare in a Washington context.

10:00 am

- **Closing:** WG Chair Clark thanked the BND presenters and WG members for thoughtful discussion and closed the meeting.



Public Banking – Technical

Don Morgan, President/CEO

November 2025

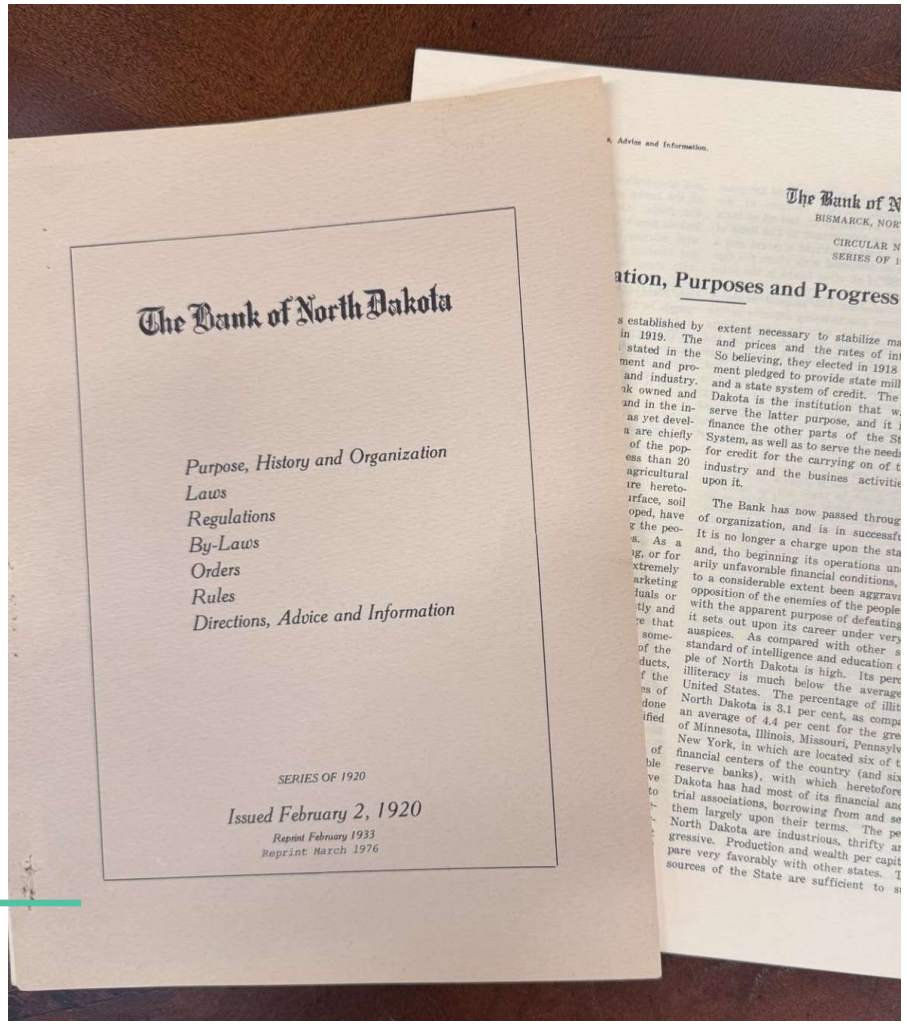
BND
Bank of North Dakota

Industrial Commission
106 Years

“A commission is hereby created and established to conduct and manage, on behalf of the State of North Dakota, certain **utilities, industries, enterprises and business projects**, now or hereafter established by law…

“The Industrial Commission shall consist of three members, namely: the **Governor**, the **Attorney General**, and the **Commissioner of Agriculture**…”

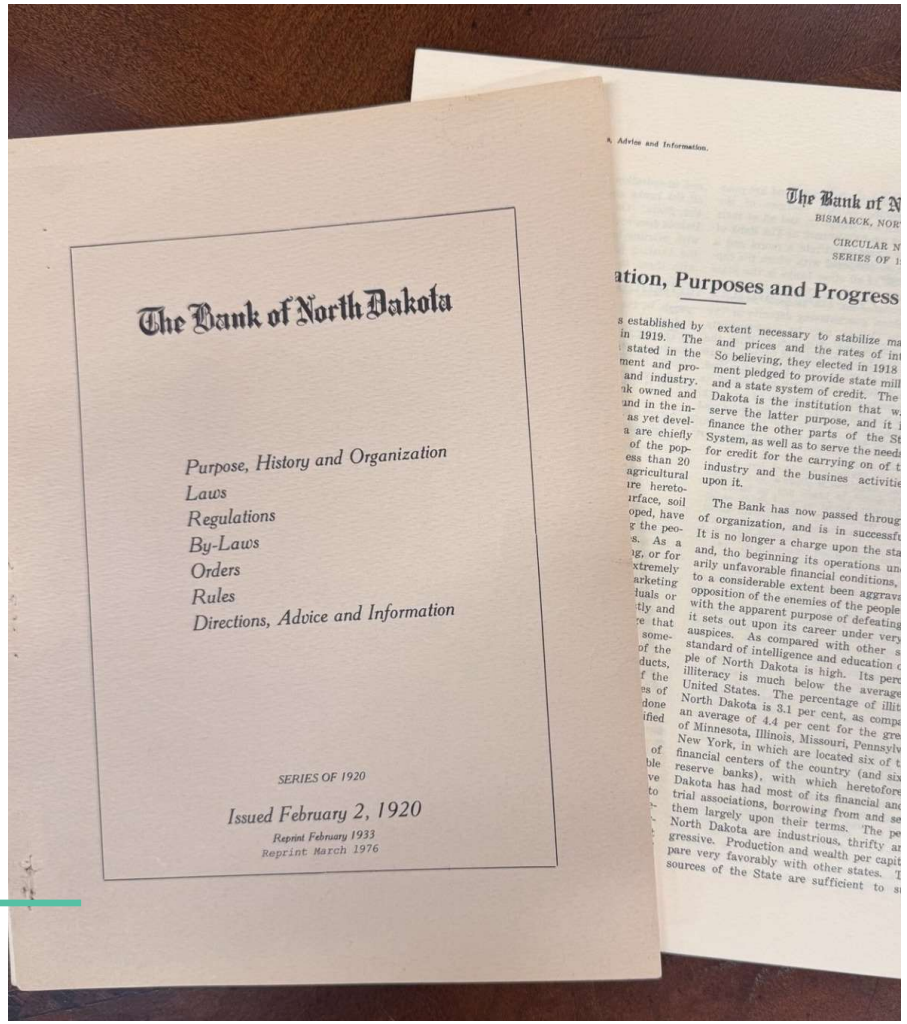
Source: The Bank of North Dakota: Purpose, History and Organization (1919)

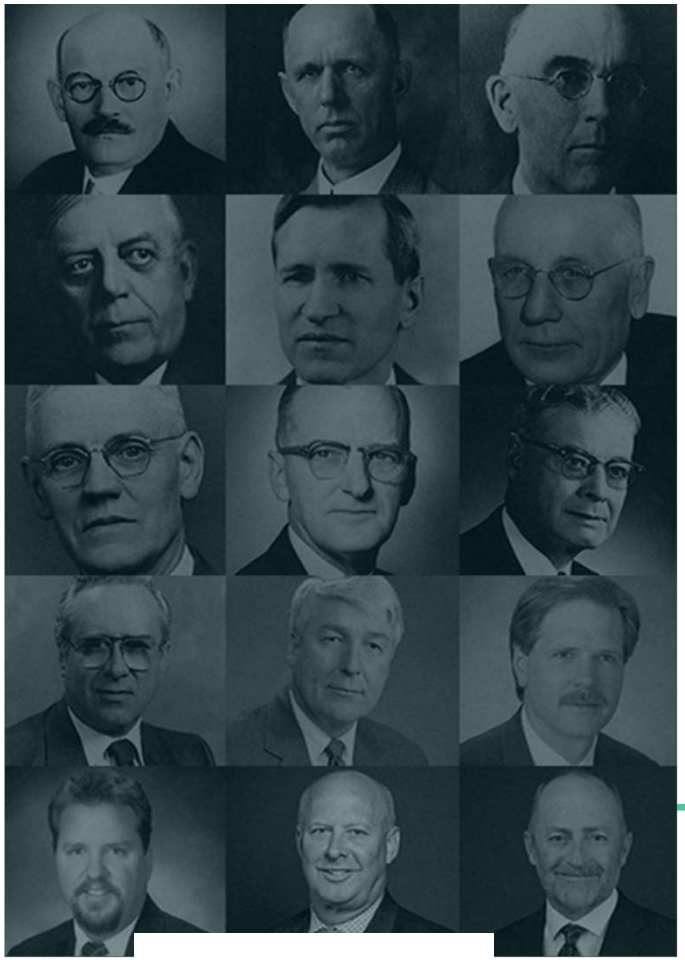


Bank of North Dakota
106 Years

“The Bank of North Dakota was established by Act of the State Legislature in 1919. The purpose of creating the Bank is stated in the Act, as being for the **encouragement and promotion of agriculture, commerce, and industry**…”

Source: The Bank of North Dakota: Purpose, History and Organization (1919)





"...Bank of North Dakota will need the support and cooperation of all the people, as well as of all the banks and other financial institutions of the State. On its part, Bank of North Dakota **does not propose to enter into competition** with existing banks, or to supplant any part of the existing financial system; **but to cooperate** with them, **to assist in their development**, and **to coordinate all parts** of the **financial service of the State**, so as best to meet the needs of the people in the carrying on of their business and industry…"

Source: The Bank of North Dakota: Purpose, History and Organization (1919)

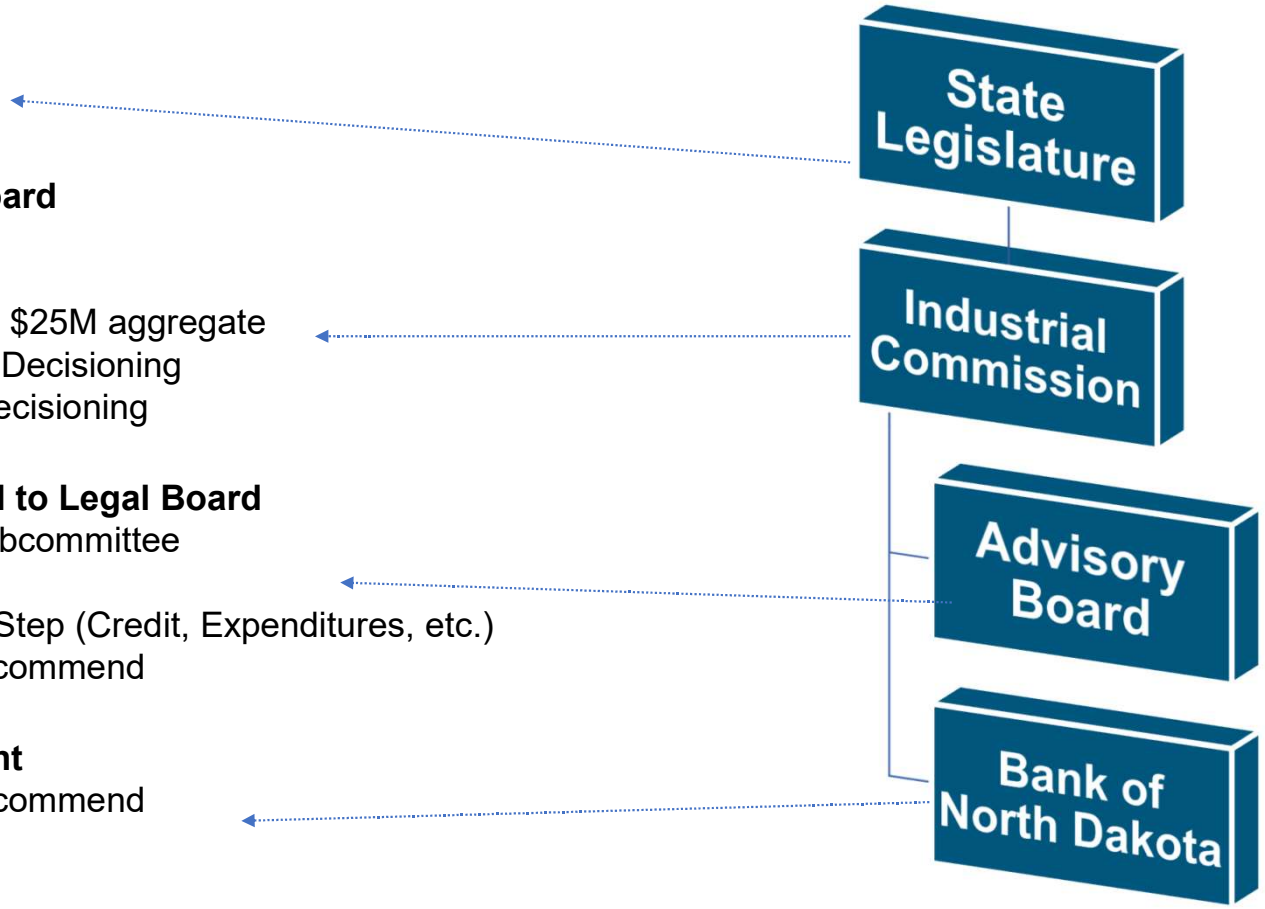
“Unique North Dakota Banking Model”

Shareholder Group
- Profit/Return
- Dividends

Independent Legal Board
- Oversight
- Strategy Approval
- Credit Decisioning > $25M aggregate
- Capital Expenditure Decisioning
- Capital/Dividends Decisioning

Advise & Recommend to Legal Board
- Finance & Credit Subcommittee
- Risk Subcommittee
- Interim Decisioning Step (Credit, Expenditures, etc.)
- Strategy Build & Recommend

Executive Management
- Strategy Build & Recommend
- Execute
- Report



Checks and Balances for **Bank of North Dakota**

Regulator

NORTH Dakota Be Legendary. | Financial Institutions

Auditor

Eide Bailly

Bank of North Dakota Verticals

Disasters (Below Market)

- Hundreds of millions
- Floods, Fire, Drought, Storms
- Agriculture
- COVID: PPP, CPR, etc.
- Federal shutdowns

Student Lending (Market Rate)

- $969 million
- College SAVE
- Smart with My Money
- Education Outreach

Participation Lending (Market Rate)

- $4.9 billion
- 91 FI's
- 50% Part Rate
- $10 billion to State

Legislative-Directed Programs (Below Market)

- $1.2 billion
- 26 Programs
- PACE, Ag PACE
- School Construction
- Infrastructure
- CSEA
- Beginning Farmer

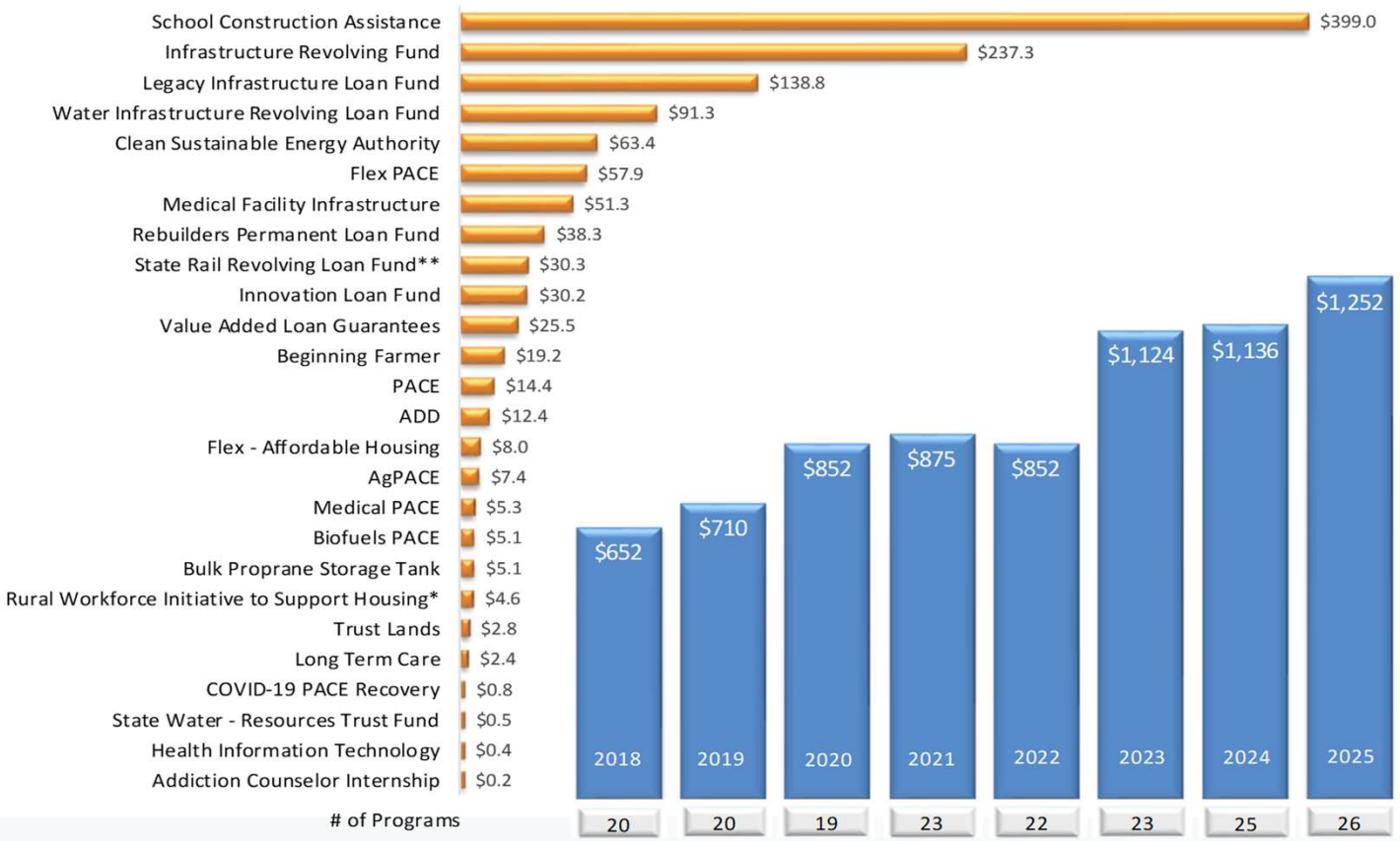
Mission-Based

- Creative economic development
- Special Projects
- Strategic to State
- Advisorship (FI's, Leg, Exec branch, etc.)
- RWISH
- STAND
- Correspondent Services

FinTech (NEW) (Market Rate)

- B3 Group
- Roughrider Coin
- B3 Sandbox
- Regional Correspondent Services

Legislative-directed Programs



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Bank Services

To Financial Institutions and State Agencies

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Bank of North Dakota

What **Works**

01 Partnership with 91 FIs (Loans, Special Programs, Disasters, etc.)

02 Industrial Commission as Board of Directors

03 CEO History – Hired experienced bankers and run as bank

04 Never compete with partner financial institutions and core vertical profitability

05 Mission-based activities (Legislative programs, PACE, R-WISH, etc.)

06 Proven Process (real magic sauce): Identify, Ideate, Initiate

What **Doesn't**

01 Strategic speed to action (stuck in State ruts)

02 Viewed operationally as State agency = operational bureaucracy

03 Legislative appropriation misconceptions & understanding

04 Captive deposit base is a blessing and a curse

Power of Owning Your Own Public Bank

01 Leverage, leverage, leverage – Capital 10x, Deposits 1.5x, Capital flow to whole State 2x at avg. 50% participation rate (capital flow = growth catalyst), Staff resource leverage of partnered financial institutions (disasters, special programs, participations, etc.), PACE interest buydown leverage (can affect up to 10x loan in one year or 2x sustained for 5 years)

02 Longer-term investment returns on deposits while remaining liquid. Owners get the best of both worlds.

03 Done right… can break through State silos to build creative capital stacks for strategically important State projects.

04 Once the core bank is up, running, profitable, and sustained – can utilize existing infrastructure (staff, systems, expertise, decision mechanisms) for special functions strategically important to the State (i.e. student loans, RWISH, FFERP, PACE, housing support, etc.)

05 Line of credit financial toolkits for Legislative and/or agency utilization (construction, better management of cash flow timing, permanent bonding timeframes/fees, etc.)

If I was Asked to Start BND today?

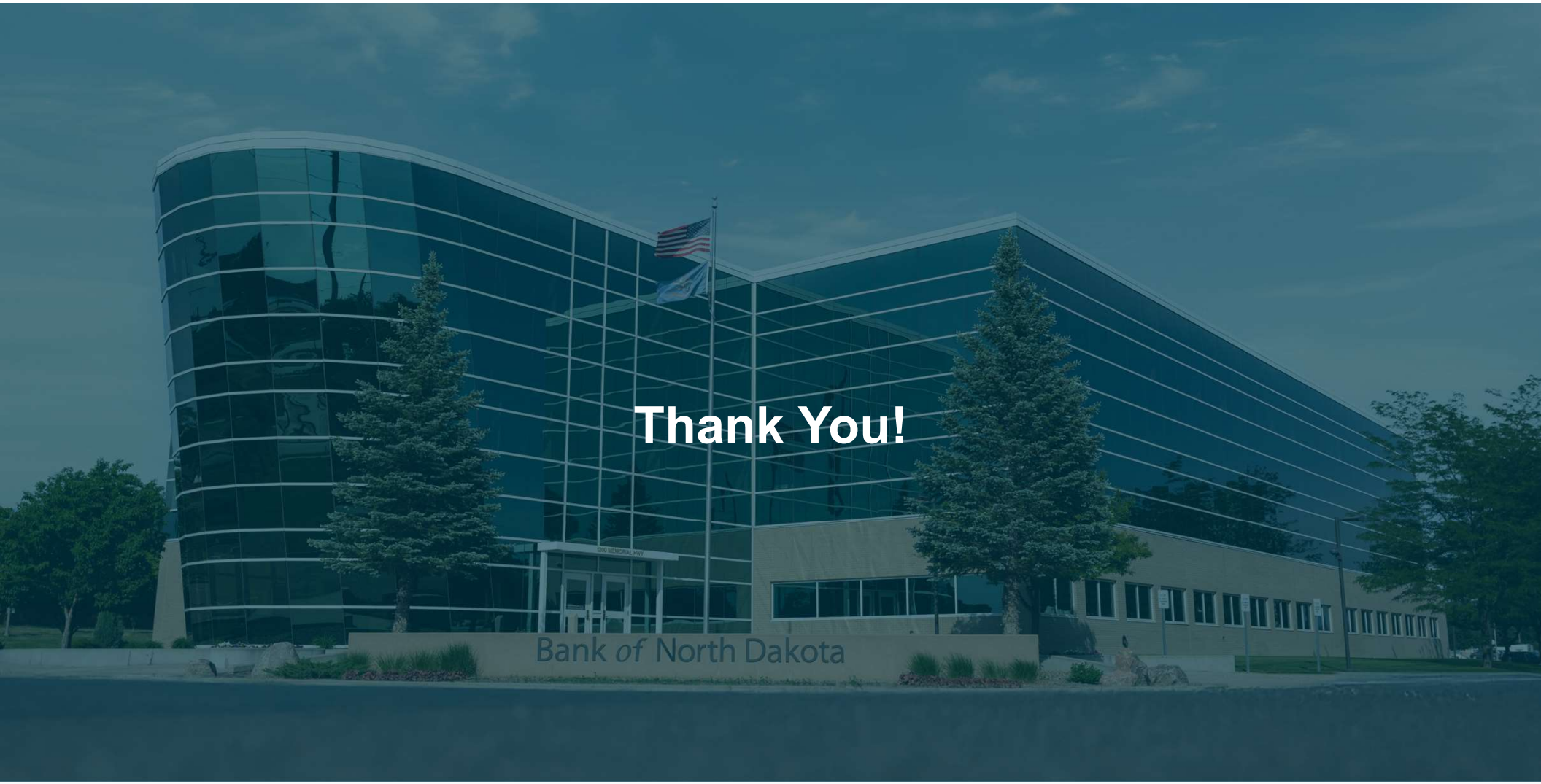
01 Get group of FI's…Setup legal and governance model.

02 Capital / Deposits (legislature)

03 Start pilot group of partner financial institutions with first transactions/interactions (core participation vertical).

04 Allow 2-3 years of building Core Participation Vertical. Grow to as many partner financial institution relationships as possible.

05 After Core Participation Vertical built and profitability reached, begin building other verticals (Legislative programs, disaster, etc.)



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