GOVERNMENT-OWNED BANK: TOO RISKY FOR COLORADO

1 - CONCEPT RISKS MILLIONS IN TAX DOLLARS
2 - EVEN GOVERNMENT STUDIES SAY IT'S RECKLESS
3 - IT'S AGAINST THE COLORADO CONSTITUTION
4 - BANKS ARE ALREADY MEETING CUSTOMERS' NEEDS

The FDIC insures up to $250,000 in deposits in U.S. banks. It's unknown if, or how much the state would insure, using your tax dollars to pay claims.

If the FDIC won't insure the bank's funds, customers can't access the payments system. That means no credit cards, checks, transfers etc... for customers.

$119 MILLION (to start)
Studies show the most effective government-owned bank would need another $2.2 billion in public subsidies until the bank could break even in...

56 YEARS

Source: Los Angeles Times
How do you want your money used?

FUNDING
The minimum it takes to capitalize a small bank is at least $20 million. Capital is the safety net — cash in reserves to protect customers — should something go wrong. Colorado’s existing budget does not have the money to spare even that small amount to capitalize a bank.

There isn’t enough money to go around. One pot of money cannot simultaneously serve as capital, funds lent to borrowers and be kept available for customers to withdraw and pay bills routinely.

Tried and failed
Colorado tried a similar concept in the 1980s and the insurance fund went belly-up. Worse, the state had to repay customers their lost money and paid $50 million to partially pay off depositors — on the backs of angry taxpayers.

CHECKS AND BALANCES
Politics vs. prudence
The bank would be a government entity and thus subject to the political whims that may change every election. Managing and lending money should always be based on sound financial principles, not political pressure.

It is unclear who would set up rules and regulations for a government-owned bank. The government would own the bank and establish rules for it. There would be no objective third party regulator. That’s the fox guarding the hen house.

A government-owned bank would likely amount to a large vault
Without FDIC insurance banks would be barred from participating in most payment systems. That means customers wouldn’t get electronic transactions, debit cards, credit cards or checks. The bank couldn’t access to the Federal Reserve, therefore would be unable to wire money even to the government’s own accounts.

This concept is prohibited by the Colorado Constitution. It disallows the state, counties, cities and towns from becoming an owner or a shareholder of any corporation or company.

GOVERNMENT VS CONSUMER
As an entity of the government, the bank would be tax exempt, disrupting the marketplace and giving one entity an undue advantage over other competitors. Tax exemption is a subsidy. In general, subsidies that benefit only one business limit competition — and competition is always beneficial for the consumer.

California legislators went against voters’ wishes this year when they secured legislation to allow the creation of a government-owned bank. Legislators and proponents agree: there are built-in hurdles to clear before one can open, including an estimated 2-year-long approval process and the questionable potential of securing FDIC insurance.

The Bank of North Dakota was started in the early 1900s to work with banks, not to replace them. Still today, that bank serves as a bankers’ bank, making loans to, and in cooperation with, banks.