



Testimony of the Wisconsin Bankers Association
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Jon Turke, Director - Government Relations, WBA

Legislative Council Study Committee on the Investment and Use of School Trust Funds

September 5, 2018

Chair Katsma, Vice-Chair Taylor, and members of the committee:

Thank you for the opportunity to testify at this hearing.

My name is Jon Turke and I am the Director of Government Relations at the Wisconsin Bankers Association (WBA). WBA represents approximately 240 commercial banks and savings institutions, their nearly 2,300 branch offices and more than 30,000 employees. With me today I have Jeff Gruetzmacher, Senior Vice President at Royal Bank, Elroy.

Before diving into the issue, I'd be remiss if I did not highlight and thank Steve Eager for volunteering to serve on this committee. Steve is a valued and active member of both WBA and the Independent Community Bankers of America where he serves on legislative policy committees at both organizations.

WBA was one of several groups who requested a study committee on this issue. WBA asked that this committee look at *all* state loan programs and evaluate their need and usefulness in 2018. At our last count, there are approximately 40 statutory references that allow the state to create lending programs. Given the intense competition in the banking industry and the rise of emerging technologies, it is time for the state to take a closer look at the intersection of public and private responsibilities for lending.

Wisconsin Banks of all sizes from around the state have a long history of active involvement in our communities. Since they're dedicated to their community, these local institutions often come together and support special causes. Whether it's monetary donations to a local non-profit, employee "day of volunteering" at a local shelter, or a special campaign to raise money for schools and scholarships, local banks have a strong sense of commitment to the community. Another way they can help is by providing loans to the community.

One of the questions raised at the first meeting was "do banks actually want to make these loans?". Jeff will get into this more from his bank's perspective, but after polling our members, the answer is: "yes."

We are not here to argue that there is no place for the state in lending. There will certainly be times where, for whatever reason, the private sector will not be able to extend necessary credit. We are here to say that the state should be a type of "lender of last resort". Those seeking loans from the state

should seek a solution from the private sector first. We feel that while banks do lose loans to the BCPL occasionally, in many other situations the private sector is not even consulted for a bid on the project.

Banks are active members of their communities, and in many cases they are a small business just like many of their neighbors. At community banks and their branch offices, loan approvals and other key decisions are made locally by people who live in the community, have face-to-face relationships with their customers, and understand local needs. While merger and acquisition activity has picked up in recent years, Wisconsin is still home to a thriving financial institution market with over 200 banks still headquartered here. Compare that to fewer than 100 in Michigan, just over 100 in Indiana, and under 200 in Ohio—all states with a higher population.

The fortunes of local financial institutions are intimately tied to the fortunes of their local communities. The more the community prospers, the more the bank benefits, and the healthier the bank is, the better off the community is. This is why local banks are involved in their communities and want to do business with their schools and municipalities.

I want to again thank Chair Katsma and members for taking the time to hear our testimony today. We would be happy to answer any questions you may have.

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