

# California State Senate

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September 19, 2019

The Honorable Gavin Newsom  
Governor, State of California  
State Capitol, First Floor  
Sacramento, CA 95814

RE: Recommended Veto of AB 857 (Chiu)

Dear Governor Newsom:

I respectfully write to request your veto of Assembly Bill 857, which creates a process for local agencies to create public banks, to be wholly owned by a local agency or a joint powers authority. The bill limits the Commissioner of Business Oversight to issuing no more than two public bank licenses per year, and from authorizing more than ten public banks at any one time. The bill also makes such banks tax free.

The bill targets the wrong banks, as it ignores that the federal Dodd-Frank Act had the effect of killing off one community bank in America a day, mostly because they could not cope with its new regulatory burdens and expenses, while the largest banks have since thrived. The fact is, should any public banks actually come on line, its tax exempt status will give it a competitive advantage over local community banks. Larger banks, such as Chase, Citi, Bank of America, Wells, and others, because of the various services offered and consequent revenue streams, will be able to withstand the competitive pressures of local, tax-free public banks in ways community banks will not.

For these reasons, I respectfully request your veto.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shannon Grove', is written over a light blue rectangular background.

Shannon Grove  
Senate Republican Leader