

## **BILL ANALYSIS**

S.B. 607  
By: Ellis  
Financial Institutions  
Committee Report (Amended)

### **BACKGROUND AND PURPOSE**

Currently, no state law, program or other policy exists to encourage the development of banking services in geographic areas that have demonstrated a need for them.

S.B. 607 requires the Finance Commission of Texas to administer and monitor a banking development district program, in order to encourage the establishment of financial institution branches in geographic areas in which there is a demonstrated need for banking services. The bill also authorizes a local government, in conjunction with a financial institution, to submit an application to the commission for designation as a banking development district and sets forth the process for such designation.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Finance Commission of Texas in SECTION 1 of this bill.

### **ANALYSIS**

S.B. 607 amends Subtitle Z, Title 3, Finance Code, by adding Chapter 279, BANKING DEVELOPMENT DISTRICTS. S.B. 607 defines "finance commission," "financial institution," and "local government." The legislation reserves Sections 279.002-279.050 for expansion. S.B. 607 requires the Finance Commission of Texas (commission) to administer and monitor a banking development district (district) program under this chapter in order to encourage the establishment of branches of a financial institution in areas where there is a demonstrated need for banking services.

S.B. 607 requires the commission to adopt rules to implement this chapter, subject to Subsection (b). The bill requires the commission, in consultation with the Texas Economic Development and Tourism Office, to adopt rules regarding the criteria for designation of a district under this chapter and sets forth the requirements of those rules. The legislation reserves Sections 279.053-279.100 for expansion.

S.B. 607 authorizes a local government, in conjunction with a financial institution, to submit an application to the commission for the designation of a district. S.B. 607 authorizes a financial institution to open a branch in the district at the time a local government submits an application in conjunction with the institution under Section 279.101. S.B. 607 authorizes a local government to submit an application under Section 279.101, in conjunction with a financial institution that is operating a branch in the proposed district at the time of the application's submission, if the branch was opened after December 31, 1996. S.B. 607 requires the commission to consider the importance and benefits of preserving the banking services offered by that branch in determining whether to approve the application.

S.B. 607 requires the commission to make a determination as to whether to approve the application not later than the 91<sup>st</sup> day after the date of the application's submission. The bill sets forth the entities the commission is to notify if the application is approved. S.B. 607 authorizes the governing body of a local government for which a district has been designated, by resolution, to designate a financial institution located in the district as a banking district depository (depository) for the purposes of this subchapter, regardless of whether the institution is designated by the comptroller as a state depository under Subchapter C (State Depositories and Investment of State Funds), Chapter 404, Government Code. S.B. 607 requires a resolution

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adopted under this Subsection (a) to specify the maximum amount that may be kept on deposit with the depository.

S.B. 607 authorizes the governing body of a local government to consider the benefit to this state of stimulating economic development in calculating the yield under Section 2256.006 (Standard of Care), Government Code, of public funds deposited in a depository. S.B. 607 authorizes a local government to deposit public funds with a depository designated under Section 279.151. The bill authorizes those funds to earn a fixed interest rate at or below the institution's posted two-year certificate of deposit rate, subject to an agreement between the governing body and the depository. The bill requires the terms of the agreement to be specified in the resolution adopted under Section 279.151.

S.B. 607 authorizes the comptroller of public accounts (comptroller) to deposit public funds with a depository designated under Section 279.151. S.B. 607 authorizes those funds to earn a fixed interest rate at or below the institution's posted two-year certificate of deposit rate, subject to an agreement between the comptroller and the depository. S.B. 607 authorizes the comptroller to consider the benefit to this state of stimulating economic development in calculating the yield under Section 2256.006, Government Code, of public funds deposited in a depository.

S.B. 607 authorizes the governing body of a local government to enter into a tax abatement agreement with a financial institution that owns property in a district, as provided by Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code.

S.B. 607 provides that a designation of an area as a district under Chapter 279, Finance Code, constitutes, without further hearing or procedural requirements other than those required by that chapter, a designation as a reinvestment zone under this subchapter, except that a property is eligible for tax abatement under this subchapter only if owned by a financial institution as defined by Section 279.001, Finance Code.

S.B. 607 provides that a designation of an area as a district under Chapter 279, Finance Code, constitutes, without further hearing or procedural requirements other than those required by that chapter, a designation as a reinvestment zone under this subchapter, except that a property is eligible for tax abatement under this subchapter only if owned by a financial institution as defined by Section 279.001, Finance Code.

S.B. 607 requires the commission to adopt rules governing the designation of districts, as required by Chapter 279, Finance Code, as added by this Act, not later than January 1, 2008.

#### **EFFECTIVE DATE**

September 1, 2007.

#### **EXPLANATION OF AMENDMENTS**

The committee amendment strikes "61st" and substitutes "91st" in Section 1, adding Subsection (a), Section 279.104, Finance Code.