

By: Ellis

S.B. No. 607

A BILL TO BE ENTITLED

AN ACT

relating to the designation of certain areas as banking development districts to encourage the establishment of financial institution branches in those areas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle Z, Title 3, Finance Code, is amended by adding Chapter 279 to read as follows:

CHAPTER 279. BANKING DEVELOPMENT DISTRICTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 279.001. DEFINITIONS. In this chapter:

(1) "Finance commission" means the Finance Commission of Texas.

(2) "Financial institution" means a state or national bank, a state or federal savings bank, or a state or federal savings and loan association.

(3) "Local government" means a municipality or county.

[Sections 279.002-279.050 reserved for expansion]

SUBCHAPTER B. POWERS AND DUTIES OF FINANCE COMMISSION

Sec. 279.051. ADMINISTRATION OF PROGRAM. The finance commission shall administer and monitor a banking development district program under this chapter to encourage the establishment of branches of a financial institution in geographic areas where there is a demonstrated need for banking services.

Sec. 279.052. RULES. (a) Subject to Subsection (b), the

1 finance commission shall adopt rules to implement this chapter.

2 (b) The finance commission, in consultation with the Texas
3 Economic Development and Tourism Office, shall adopt rules
4 regarding the criteria for the designation of banking development
5 districts under this chapter. The rules must require the finance
6 commission to consider:

7 (1) the location, number, and proximity of sites where
8 banking services are available in the proposed district;

9 (2) consumer needs for banking services in the
10 proposed district;

11 (3) the economic viability and local credit needs of
12 the community in the proposed district;

13 (4) the existing commercial development in the
14 proposed district; and

15 (5) the impact additional banking services would have
16 on potential economic development in the proposed district.

17 [Sections 279.053-279.100 reserved for expansion]

18 SUBCHAPTER C. DESIGNATION OF BANKING DEVELOPMENT DISTRICT

19 Sec. 279.101. APPLICATION FOR DESIGNATION OF BANKING
20 DEVELOPMENT DISTRICT. A local government, in conjunction with a
21 financial institution, may submit an application to the finance
22 commission for the designation of a banking development district.

23 Sec. 279.102. APPLICATION BY FINANCIAL INSTITUTION TO OPEN
24 BRANCH IN DISTRICT. A financial institution may apply to open a
25 branch in the district at the time the local government submits an
26 application in conjunction with the institution under Section
27 279.101.

1 Sec. 279.103. APPLICATION BY FINANCIAL INSTITUTION WITH
2 EXISTING BRANCH IN PROPOSED DISTRICT. (a) A local government may
3 submit an application under Section 279.101 in conjunction with a
4 financial institution that operates a branch in the proposed
5 district at the time the application is submitted, if the branch was
6 opened after December 31, 1996.

7 (b) The finance commission shall consider the importance
8 and benefits of preserving the banking services offered by the
9 branch located in the proposed district in making a determination
10 under Section 279.104.

11 Sec. 279.104. DETERMINATION BY FINANCE COMMISSION.

12 (a) Not later than the 61st day after the date an application for
13 the designation of a banking development district is submitted
14 under Section 279.101, the finance commission shall make a
15 determination regarding whether to approve the application.

16 (b) If the finance commission approves the application, the
17 finance commission shall notify the:

- 18 (1) local government;
- 19 (2) financial institution;
- 20 (3) comptroller;
- 21 (4) Texas Economic Development and Tourism Office;
- 22 (5) lieutenant governor; and
- 23 (6) speaker of the house of representatives.

24 [Sections 279.105-279.150 reserved for expansion]

25 SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN BANKING DISTRICT
26 DEPOSITORY

27 Sec. 279.151. DESIGNATION OF BANKING DISTRICT DEPOSITORY.

1 (a) The governing body of a local government in which a banking
2 development district has been designated under Subchapter C may by
3 resolution designate a financial institution located in the
4 district as a banking district depository for purposes of this
5 subchapter regardless of whether the financial institution is
6 designated by the comptroller as a state depository under
7 Subchapter C, Chapter 404, Government Code.

8 (b) A resolution adopted under Subsection (a) must specify
9 the maximum amount that may be kept on deposit with the banking
10 district depository.

11 (c) In calculating the yield under Section 2256.006,
12 Government Code, of public funds deposited in a banking district
13 depository, the governing body of a local government may consider
14 the benefit to this state of stimulating economic development.

15 Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL GOVERNMENT.

16 (a) A local government may deposit public funds with a financial
17 institution designated as a banking district depository under
18 Section 279.151.

19 (b) Subject to an agreement between the governing body and
20 the banking district depository, public funds deposited in the
21 banking district depository may earn a fixed interest rate that is
22 at or below the financial institution's posted two year certificate
23 of deposit rate. The terms of the agreement must be specified in
24 the resolution adopted under Section 279.151.

25 Sec. 279.153. DEPOSIT OF PUBLIC FUNDS BY STATE. (a) The
26 comptroller may deposit public funds with a financial institution
27 designated as a banking district depository under Section 279.151.

1 (b) Subject to an agreement between the comptroller and the
2 banking district depository, public funds deposited in the banking
3 district depository may earn a fixed interest rate that is at or
4 below the financial institution's posted two year certificate of
5 deposit rate.

6 (c) In calculating the yield under Section 2256.006,
7 Government Code, of public funds deposited in a banking district
8 depository, the comptroller may consider the benefit to this state
9 of stimulating economic development.

10 [Sections 279.154-279.200 reserved for expansion]

11 SUBCHAPTER E. BANKING DISTRICT BENEFITS

12 Sec. 279.201. TAX ABATEMENT. The governing body of a local
13 government may enter into a tax abatement agreement as provided by
14 Chapter 312, Tax Code, with a financial institution that owns
15 property in a banking development district.

16 SECTION 2. Subchapter B, Chapter 312, Tax Code, is amended
17 by adding Section 312.2012 to read as follows:

18 Sec. 312.2012. BANKING DEVELOPMENT DISTRICT. The
19 designation of an area as a banking development district under
20 Chapter 279, Finance Code, constitutes designation of the area as a
21 reinvestment zone under this subchapter without further hearing or
22 other procedural requirements other than those provided by Chapter
23 279, Finance Code, except that property is eligible for tax
24 abatement under this subchapter only if the property is owned by a
25 financial institution as defined by Section 279.001, Finance Code.

26 SECTION 3. Subchapter C, Chapter 312, Tax Code, is amended
27 by adding Section 312.4012 to read as follows:

1 Sec. 312.4012. BANKING DEVELOPMENT DISTRICT. The
2 designation of an area as a banking development district under
3 Chapter 279, Finance Code, constitutes designation of the area as a
4 reinvestment zone under this subchapter without further hearing or
5 other procedural requirements other than those provided by Chapter
6 279, Finance Code, except that property is eligible for tax
7 abatement under this subchapter only if the property is owned by a
8 financial institution as defined by Section 279.001, Finance Code.

9 SECTION 4. Not later than January 1, 2008, the Finance
10 Commission of Texas shall adopt rules governing the designation of
11 banking development districts, as required by Chapter 279, Finance
12 Code, as added by this Act.

13 SECTION 5. This Act takes effect immediately if it receives
14 a vote of two-thirds of all the members elected to each house, as
15 provided by Section 39, Article III, Texas Constitution. If this
16 Act does not receive the vote necessary for immediate effect, this
17 Act takes effect September 1, 2007.