

1-1 By: Ellis S.B. No. 607  
1-2 (In the Senate - Filed February 13, 2007; February 27, 2007,  
1-3 read first time and referred to Committee on Business and Commerce;  
1-4 April 10, 2007, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 8, Nays 0, 1 present not  
1-6 voting; April 10, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 607 By: Harris

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the designation of certain areas as banking development  
1-11 districts to encourage the establishment of financial institution  
1-12 branches in those areas.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subtitle Z, Title 3, Finance Code, is amended by  
1-15 adding Chapter 279 to read as follows:

1-16 CHAPTER 279. BANKING DEVELOPMENT DISTRICTS

1-17 SUBCHAPTER A. GENERAL PROVISIONS

1-18 Sec. 279.001. DEFINITIONS. In this chapter:

1-19 (1) "Finance commission" means the Finance Commission  
1-20 of Texas.

1-21 (2) "Financial institution" means a state or national  
1-22 bank, a state or federal savings bank, or a state or federal savings  
1-23 and loan association.

1-24 (3) "Local government" means a municipality or county.

1-25 [Sections 279.002-279.050 reserved for expansion]

1-26 SUBCHAPTER B. POWERS AND DUTIES OF FINANCE COMMISSION

1-27 Sec. 279.051. ADMINISTRATION OF PROGRAM. The finance  
1-28 commission shall administer and monitor a banking development  
1-29 district program under this chapter to encourage the establishment  
1-30 of branches of a financial institution in geographic areas where  
1-31 there is a demonstrated need for banking services.

1-32 Sec. 279.052. RULES. (a) Subject to Subsection (b), the  
1-33 finance commission shall adopt rules to implement this chapter.

1-34 (b) The finance commission, in consultation with the Texas  
1-35 Economic Development and Tourism Office, shall adopt rules  
1-36 regarding the criteria for the designation of banking development  
1-37 districts under this chapter. The rules must require the finance  
1-38 commission to consider:

1-39 (1) the location, number, and proximity of sites where  
1-40 banking services are available in the proposed district;

1-41 (2) consumer needs for banking services in the  
1-42 proposed district;

1-43 (3) the economic viability and local credit needs of  
1-44 the community in the proposed district;

1-45 (4) the existing commercial development in the  
1-46 proposed district; and

1-47 (5) the impact additional banking services would have  
1-48 on potential economic development in the proposed district.

1-49 [Sections 279.053-279.100 reserved for expansion]

1-50 SUBCHAPTER C. DESIGNATION OF BANKING DEVELOPMENT DISTRICT

1-51 Sec. 279.101. APPLICATION FOR DESIGNATION OF BANKING  
1-52 DEVELOPMENT DISTRICT. A local government, in conjunction with a  
1-53 financial institution, may submit an application to the finance  
1-54 commission for the designation of a banking development district.

1-55 Sec. 279.102. APPLICATION BY FINANCIAL INSTITUTION TO OPEN  
1-56 BRANCH IN DISTRICT. A financial institution may apply to open a  
1-57 branch in the district at the time the local government submits an  
1-58 application in conjunction with the institution under Section  
1-59 279.101.

1-60 Sec. 279.103. APPLICATION BY FINANCIAL INSTITUTION WITH  
1-61 EXISTING BRANCH IN PROPOSED DISTRICT. (a) A local government may  
1-62 submit an application under Section 279.101 in conjunction with a  
1-63 financial institution that operates a branch in the proposed

2-1 district at the time the application is submitted, if the branch was  
2-2 opened after December 31, 1996.

2-3 (b) The finance commission shall consider the importance  
2-4 and benefits of preserving the banking services offered by the  
2-5 branch located in the proposed district in making a determination  
2-6 under Section 279.104.

2-7 Sec. 279.104. DETERMINATION BY FINANCE COMMISSION.

2-8 (a) Not later than the 61st day after the date an application for  
2-9 the designation of a banking development district is submitted  
2-10 under Section 279.101, the finance commission shall make a  
2-11 determination regarding whether to approve the application.

2-12 (b) If the finance commission approves the application, the  
2-13 finance commission shall notify the:

- 2-14 (1) local government;
- 2-15 (2) financial institution;
- 2-16 (3) comptroller;
- 2-17 (4) Texas Economic Development and Tourism Office;
- 2-18 (5) lieutenant governor; and
- 2-19 (6) speaker of the house of representatives.

2-20 [Sections 279.105-279.150 reserved for expansion]

2-21 SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN BANKING DISTRICT  
2-22 DEPOSITORY

2-23 Sec. 279.151. DESIGNATION OF BANKING DISTRICT DEPOSITORY.

2-24 (a) The governing body of a local government in which a banking  
2-25 development district has been designated under Subchapter C may by  
2-26 resolution designate a financial institution located in the  
2-27 district as a banking district depository for purposes of this  
2-28 subchapter regardless of whether the financial institution is  
2-29 designated by the comptroller as a state depository under  
2-30 Subchapter C, Chapter 404, Government Code.

2-31 (b) A resolution adopted under Subsection (a) must specify  
2-32 the maximum amount that may be kept on deposit with the banking  
2-33 district depository.

2-34 (c) In calculating the yield under Section 2256.006,  
2-35 Government Code, of public funds deposited in a banking district  
2-36 depository, the governing body of a local government may consider  
2-37 the benefit to this state of stimulating economic development.

2-38 Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL GOVERNMENT.

2-39 (a) A local government may deposit public funds with a financial  
2-40 institution designated as a banking district depository under  
2-41 Section 279.151.

2-42 (b) Subject to an agreement between the governing body and  
2-43 the banking district depository, public funds deposited in the  
2-44 banking district depository may earn a fixed interest rate that is  
2-45 at or below the financial institution's posted two year certificate  
2-46 of deposit rate. The terms of the agreement must be specified in  
2-47 the resolution adopted under Section 279.151.

2-48 Sec. 279.153. DEPOSIT OF PUBLIC FUNDS BY STATE. (a) The  
2-49 comptroller may deposit public funds with a financial institution  
2-50 designated as a banking district depository under Section 279.151.

2-51 (b) Subject to an agreement between the comptroller and the  
2-52 banking district depository, public funds deposited in the banking  
2-53 district depository may earn a fixed interest rate that is at or  
2-54 below the financial institution's posted two year certificate of  
2-55 deposit rate.

2-56 (c) In calculating the yield under Section 2256.006,  
2-57 Government Code, of public funds deposited in a banking district  
2-58 depository, the comptroller may consider the benefit to this state  
2-59 of stimulating economic development.

2-60 [Sections 279.154-279.200 reserved for expansion]

2-61 SUBCHAPTER E. BANKING DISTRICT BENEFITS

2-62 Sec. 279.201. TAX ABATEMENT. The governing body of a local  
2-63 government may enter into a tax abatement agreement as provided by  
2-64 Chapter 312, Tax Code, with a financial institution that owns  
2-65 property in a banking development district.

2-66 SECTION 2. Subchapter B, Chapter 312, Tax Code, is amended  
2-67 by adding Section 312.2012 to read as follows:

2-68 Sec. 312.2012. BANKING DEVELOPMENT DISTRICT. The  
2-69 designation of an area as a banking development district under

3-1 Chapter 279, Finance Code, constitutes designation of the area as a  
3-2 reinvestment zone under this subchapter without further hearing or  
3-3 other procedural requirements other than those provided by Chapter  
3-4 279, Finance Code, except that property is eligible for tax  
3-5 abatement under this subchapter only if the property is owned by a  
3-6 financial institution as defined by Section 279.001, Finance Code.

3-7 SECTION 3. Subchapter C, Chapter 312, Tax Code, is amended  
3-8 by adding Section 312.4012 to read as follows:

3-9 Sec. 312.4012. BANKING DEVELOPMENT DISTRICT. The  
3-10 designation of an area as a banking development district under  
3-11 Chapter 279, Finance Code, constitutes designation of the area as a  
3-12 reinvestment zone under this subchapter without further hearing or  
3-13 other procedural requirements other than those provided by Chapter  
3-14 279, Finance Code, except that property is eligible for tax  
3-15 abatement under this subchapter only if the property is owned by a  
3-16 financial institution as defined by Section 279.001, Finance Code.

3-17 SECTION 4. Not later than January 1, 2008, the Finance  
3-18 Commission of Texas shall adopt rules governing the designation of  
3-19 banking development districts, as required by Chapter 279, Finance  
3-20 Code, as added by this Act.

3-21 SECTION 5. This Act takes effect immediately if it receives  
3-22 a vote of two-thirds of all the members elected to each house, as  
3-23 provided by Section 39, Article III, Texas Constitution. If this  
3-24 Act does not receive the vote necessary for immediate effect, this  
3-25 Act takes effect September 1, 2007.

3-26 \* \* \* \* \*