

1-1 By: Ellis S.B. No. 763
1-2 (In the Senate - Filed February 17, 2011; February 23, 2011,
1-3 read first time and referred to Committee on Business and Commerce;
1-4 March 7, 2011, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 7, Nays 0; March 7, 2011,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 763 By: Van de Putte

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 banking development district at the time the local
1-58 government submits an application in conjunction with the
1-59 institution under Section 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 banking development district at the time the application is
2-2 submitted, if the branch was opened after December 31, 2010.

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 91st 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.

2-29 (b) A resolution adopted under Subsection (a) must specify
2-30 the maximum amount that may be kept on deposit with the banking
2-31 district depository.

2-32 (c) In calculating the yield under Section 2256.006,
2-33 Government Code, of public funds deposited in a banking district
2-34 depository, the governing body of a local government may consider
2-35 the benefit to this state of stimulating economic development.

2-36 Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL GOVERNMENT.

2-37 (a) A local government may deposit public funds with a financial
2-38 institution designated as a banking district depository under
2-39 Section 279.151 regardless of whether the financial institution is
2-40 designated by the comptroller as a state depository under
2-41 Subchapter C, Chapter 404, Government Code.

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) If the
2-49 comptroller designates the financial institution as a state
2-50 depository under Subchapter C, Chapter 404, Government Code, the
2-51 comptroller may deposit public funds with a financial institution
2-52 designated as a banking district depository under Section 279.151.

2-53 (b) For purposes of Subsection (a), a financial institution
2-54 is subject to the collateral requirements of Section 404.031,
2-55 Government Code.

2-56 (c) Subject to an agreement between the comptroller and the
2-57 banking district depository, public funds deposited in the banking
2-58 district depository may earn a fixed interest rate that is at or
2-59 below the financial institution's posted two-year certificate of
2-60 deposit rate.

2-61 (d) In calculating the yield under Section 2256.006,
2-62 Government Code, of public funds deposited in a banking district
2-63 depository, the comptroller may consider the benefit to this state
2-64 of stimulating economic development.

2-65 [Sections 279.154-279.200 reserved for expansion]

2-66 SUBCHAPTER E. BANKING DISTRICT BENEFITS

2-67 Sec. 279.201. TAX ABATEMENT. The governing body of a local
2-68 government may enter into a tax abatement agreement as provided by
2-69 Chapter 312, Tax Code, with a financial institution that owns

3-1 property in a banking development district on which the financial
3-2 institution establishes or operates a branch.

3-3 SECTION 2. Subchapter B, Chapter 312, Tax Code, is amended
3-4 by adding Section 312.2012 to read as follows:

3-5 Sec. 312.2012. BANKING DEVELOPMENT DISTRICT. (a) The
3-6 designation of an area as a banking development district under
3-7 Chapter 279, Finance Code, constitutes designation of the area as a
3-8 reinvestment zone under this subchapter without further hearing or
3-9 other procedural requirements other than those provided by Chapter
3-10 279, Finance Code, except that property is eligible for tax
3-11 abatement under this subchapter only if the property is owned by a
3-12 financial institution as defined by Section 279.001, Finance Code,
3-13 and the financial institution establishes or operates a branch on
3-14 the property.

3-15 (b) The designation of an area as a reinvestment zone under
3-16 this section is for purposes of this subchapter only and not for
3-17 purposes of any other law, including Chapters 311 and 313.

3-18 SECTION 3. Subchapter C, Chapter 312, Tax Code, is amended
3-19 by adding Section 312.4012 to read as follows:

3-20 Sec. 312.4012. BANKING DEVELOPMENT DISTRICT. (a) The
3-21 designation of an area as a banking development district under
3-22 Chapter 279, Finance Code, constitutes designation of the area as a
3-23 reinvestment zone under this subchapter without further hearing or
3-24 other procedural requirements other than those provided by Chapter
3-25 279, Finance Code, except that property is eligible for tax
3-26 abatement under this subchapter only if the property is owned by a
3-27 financial institution as defined by Section 279.001, Finance Code,
3-28 and the financial institution establishes or operates a branch on
3-29 the property.

3-30 (b) The designation of an area as a reinvestment zone under
3-31 this section is for purposes of this subchapter only and not for
3-32 purposes of any other law, including Chapters 311 and 313.

3-33 SECTION 4. Not later than January 1, 2012, the Finance
3-34 Commission of Texas shall adopt rules governing the designation of
3-35 banking development districts, as required by Chapter 279, Finance
3-36 Code, as added by this Act.

3-37 SECTION 5. This Act takes effect immediately if it receives
3-38 a vote of two-thirds of all the members elected to each house, as
3-39 provided by Section 39, Article III, Texas Constitution. If this
3-40 Act does not receive the vote necessary for immediate effect, this
3-41 Act takes effect September 1, 2011.

3-42 * * * * *