

By: Johnson

H.B. No. 1626

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.

(4) "Proposed Texas financial institution" means:

(A) a proposed new bank for which an application for a state bank charter has been filed with the Texas Department of Banking; or

(B) a proposed new savings bank or savings and loan association for which an application to incorporate under the laws of this state has been filed with the Department of Savings and Mortgage Lending.

1 SUBCHAPTER B. POWERS AND DUTIES OF FINANCE COMMISSION

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

7 Sec. 279.052. RULES. (a) Subject to Subsection (b), the
8 finance commission shall adopt rules to implement this chapter.

9 (b) The finance commission, in consultation with the Texas
10 Economic Development and Tourism Office, shall adopt rules
11 regarding the criteria for the designation of banking development
12 districts under this chapter. The rules must require the finance
13 commission to consider:

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

16 (2) consumer needs for banking services in the
17 proposed district;

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

20 (4) the existing commercial development in the
21 proposed district; and

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

24 SUBCHAPTER C. DESIGNATION OF BANKING DEVELOPMENT DISTRICT

25 Sec. 279.101. APPLICATION FOR DESIGNATION OF BANKING
26 DEVELOPMENT DISTRICT. A local government, in conjunction with a
27 financial institution or the organizers or incorporators of a

1 proposed Texas financial institution, may submit an application to
2 the finance commission for the designation of a banking development
3 district.

4 Sec. 279.102. APPLICATION BY FINANCIAL INSTITUTION TO OPEN
5 BRANCH IN DISTRICT. A financial institution may apply to open a
6 branch in the proposed banking development district at the time the
7 local government submits an application in conjunction with the
8 institution under Section 279.101.

9 Sec. 279.103. DETERMINATION BY FINANCE COMMISSION. (a)
10 Not later than the 91st day after the date an application for the
11 designation of a banking development district is submitted under
12 Section 279.101, the finance commission shall make a determination
13 regarding whether to approve the application.

14 (b) If the finance commission approves the application, the
15 finance commission shall notify the:

- 16 (1) local government;
- 17 (2) financial institution or the organizers or
18 incorporators of the proposed Texas financial institution, as
19 appropriate;
- 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 SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN BANKING DISTRICT
25 DEPOSITORY

26 Sec. 279.151. DESIGNATION OF BANKING DISTRICT
27 DEPOSITORY. (a) The governing body of a local government in which

1 a banking development district has been designated under Subchapter
2 C may by resolution designate a financial institution located in
3 the district as a banking district depository for purposes of this
4 subchapter.

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

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

12 Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL
13 GOVERNMENT. (a) A local government may deposit public funds with
14 a financial institution designated as a banking district depository
15 under Section 279.151 regardless of whether the financial
16 institution is designated by the comptroller as a state depository
17 under Subchapter C, Chapter 404, Government Code.

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

24 Sec. 279.153. DEPOSIT OF PUBLIC FUNDS BY STATE. (a) If the
25 comptroller designates the financial institution as a state
26 depository under Subchapter C, Chapter 404, Government Code, the
27 comptroller may deposit public funds with a financial institution

1 designated as a banking district depository under Section 279.151.

2 (b) For purposes of Subsection (a), a financial institution
3 is subject to the collateral requirements of Section 404.031,
4 Government Code.

5 (c) Subject to an agreement between the comptroller and the
6 banking district depository, public funds deposited in the banking
7 district depository may earn a fixed interest rate that is at or
8 below the financial institution's posted two-year certificate of
9 deposit rate.

10 (d) In calculating the yield under Section 2256.006,
11 Government Code, of public funds deposited in a banking district
12 depository, the comptroller may consider the benefit to this state
13 of stimulating economic development.

14 SUBCHAPTER E. BANKING DISTRICT BENEFITS

15 Sec. 279.201. TAX ABATEMENT. The governing body of a local
16 government may enter into a tax abatement agreement as provided by
17 Chapter 312, Tax Code, with:

18 (1) a financial institution that owns property in a
19 banking development district on which the institution proposes to
20 open a branch of the institution; or

21 (2) the organizers or incorporators of a proposed
22 Texas financial institution that owns property in a banking
23 development district on which the organizers propose to establish
24 and operate a branch of the institution.

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

27 Sec. 312.2012. BANKING DEVELOPMENT DISTRICT. (a) In this

1 section, "financial institution" and "proposed Texas financial
2 institution" have the meanings assigned by Section 279.001, Finance
3 Code.

4 (b) The designation of an area as a banking development
5 district under Chapter 279, Finance Code, constitutes designation
6 of the area as a reinvestment zone under this subchapter without
7 further hearing or other procedural requirements other than those
8 provided by Chapter 279, Finance Code. Except as otherwise
9 provided by this section, the provisions of this subchapter apply
10 to the abatement of taxes on property located in a banking
11 development district.

12 (c) Only the governing body of a municipality or county is
13 eligible to enter into a tax abatement agreement with an owner of
14 property located in a banking development district so long as the
15 property is owned by a financial institution or the organizers or
16 incorporators of a proposed Texas financial institution.

17 (d) The governing body of a municipality or county may enter
18 into an agreement with a financial institution to abate taxes on
19 property owned by the institution only on the condition that the
20 institution open a branch on the property.

21 (e) The governing body of a municipality or county may enter
22 into an agreement with the organizers or incorporators of a
23 proposed Texas financial institution to abate taxes on property
24 owned by the organizers or incorporators only on the condition that
25 the proposed financial institution:

26 (1) is granted a state bank charter or issued a
27 certificate of incorporation, as appropriate, to engage in business

1 in this state; and

2 (2) establish and operate a branch on the property.

3 (f) The designation of an area as a reinvestment zone under
4 this section is for purposes of this subchapter only and not for
5 purposes of any other law, including Chapters 311 and 313.

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

8 Sec. 312.4012. BANKING DEVELOPMENT DISTRICT. (a) In this
9 section, "financial institution" and "proposed Texas financial
10 institution" have the meanings assigned by Section 279.001, Finance
11 Code.

12 (b) The designation of an area as a banking development
13 district under Chapter 279, Finance Code, constitutes designation
14 of the area as a reinvestment zone under this subchapter without
15 further hearing or other procedural requirements other than those
16 provided by Chapter 279, Finance Code. Except as otherwise
17 provided by this section, the provisions of this subchapter apply
18 to the abatement of taxes on property located in a banking
19 development district.

20 (c) Only the governing body of a county is eligible to enter
21 into a tax abatement agreement with an owner of property located in
22 a banking development district so long as the property is owned by a
23 financial institution or the organizers or incorporators of a
24 proposed Texas financial institution.

25 (d) The governing body of a county may enter into an
26 agreement with a financial institution to abate taxes on property
27 owned by the institution only on the condition that the institution

1 open a branch on the property.

2 (e) The governing body of a county may enter into an
3 agreement with the organizers or incorporators of a proposed Texas
4 financial institution to abate taxes on property owned by the
5 organizers or incorporators only on the condition that the proposed
6 financial institution:

7 (1) is granted a state bank charter or issued a
8 certificate of incorporation, as appropriate, to engage in business
9 in this state; and

10 (2) establish and operate a branch on the property.

11 (f) The designation of an area as a reinvestment zone under
12 this section is for purposes of this subchapter only and not for
13 purposes of any other law, including Chapters 311 and 313.

14 SECTION 4. Not later than January 1, 2016, the Finance
15 Commission of Texas shall adopt rules governing the designation of
16 banking development districts, as required by Chapter 279, Finance
17 Code, as added by this Act.

18 SECTION 5. This Act takes effect immediately if it receives
19 a vote of two-thirds of all the members elected to each house, as
20 provided by Section 39, Article III, Texas Constitution. If this
21 Act does not receive the vote necessary for immediate effect, this
22 Act takes effect September 1, 2015.