

SUBJECT: Designating certain areas as banking or credit union development districts

COMMITTEE: Investments and Financial Services — committee substitute recommended

VOTE: 5 ayes — Parker, Longoria, Capriglione, Flynn, Stephenson

0 nays

2 absent — Landgraf, Pickett

WITNESSES: For — Stephen Scurlock, Independent Bankers Association of Texas; Jeff Huffman, Texas Credit Union Association (*Registered, but did not testify*); Laura Rosen, Center for Public Policy Priorities; Larry Casto, City of Dallas; David Emerick, JPMorgan Chase; Woody Widrow, RAISE Texas; Ashley Harris, Texans Care for Children; John Heasley, Texas Bankers Association; Monty Wynn, Texas Municipal League)

Against — None

On — Charles Cooper, Texas Department of Banking (*Registered, but did not testify*); Everette Jobe, Texas Department of Banking)

BACKGROUND: Many Texans live in areas underserved by banks and credit unions and have little access to or experience with mainstream financial institutions. Bank development district programs outside Texas have proved successful in encouraging banks and credit unions to open in underserved areas that have a demonstrated need for the services those institutions provide.

DIGEST: **Banking and credit union development districts.** CSHB 1626 would direct the Finance Commission to administer and monitor a banking development district program, and would direct the Credit Union Commission to administer and monitor a credit union development district program. These programs would be required to encourage branches of financial institutions or credit unions to open in geographic areas where there was a demonstrated need for their services.

The Finance Commission and the Credit Union Commission, in consultation with the Economic Development and Tourism Office, would be required to adopt rules governing the designation of development districts by January 1, 2016. The rules for each type of development district would be required to consider:

- the location, number, and proximity of banks or credit unions that already exist;
- economic viability and credit needs of the community;
- existing commercial development; and
- the impact additional banking services would have on potential economic development.

CSHB 1626 would allow a local government, in collaboration with a financial institution, to submit an application to the Finance Commission or the Credit Union Commission for the designation of a development district. The Finance Commission or Credit Union Commission would be required to make a determination whether to approve an application within 120 days of its submission, and send notification of approval to the local government, bank or credit union, comptroller, lieutenant governor, House speaker, and Texas Economic Development and Tourism Office.

District depositories. The bill would allow the state or a local government to designate by resolution a financial institution located in a development district as a district depository. The bill would require the resolution to specify the maximum amount that the state or local government could keep on deposit with the banking district or credit union district depository.

Subject to agreement, the funds deposited into the district depository would be able to earn a fixed interest rate that was equal to or below the depository's two-year certificate of deposit rate. In calculating whether the state was receiving a sufficient yield from any public funds put into a district depository to meet its standard of care for the investment of public funds, the comptroller or governing body of a local government would be allowed to consider the benefit to the state of stimulating economic

development.

Property tax abatement. The bill would permit local governments to enter into a tax abatement agreement with a credit union or bank that owned property in a development district on the condition that the credit union or bank opened a branch on the property. The designation of an area as a banking development district or credit union development district would constitute the designation of the area as a reinvestment zone without further hearings or other procedural requirements. Only the governing body of a municipality or county would be eligible to enter into a tax abatement agreement with the owner of property located in a development district.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.