

## **BILL ANALYSIS**

Senate Research Center  
82R559 KFF-F

S.B. 763  
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Business & Commerce  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 763 allows the designation of certain areas as banking development districts to encourage the establishment of financial institution branches in geographic areas where there is a demonstrated need for banking services. This bill authorizes a local government, in conjunction with a financial institution, to submit an application to the Finance Commission of Texas (finance commission) for designation of a banking development district. The finance commission, in consultation with the Texas Economic Development and Tourism Office, would adopt rules regarding the criteria for the designation of banking development districts.

This bill provides for tax incentives to be offered to financial institutions that establish and conduct business in designated areas and allow local and state governments to deposit public funds in those banks.

As proposed, S.B. 763 amends current law relating to the designation of certain areas as banking development districts to encourage the establishment of financial institution branches in those areas.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Finance Commission of Texas in SECTION 1 (Section 279.052, Finance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subtitle Z, Title 3, Finance Code, by adding Chapter 279, as follows:

#### **CHAPTER 279. BANKING DEVELOPMENT DISTRICTS**

##### **SUBCHAPTER A. GENERAL PROVISIONS**

Sec. 279.001. DEFINITIONS. Defines "finance commission," "financial institution," and "local government" in this chapter.

[Reserves Sections 279.002-279.050 for expansion.]

##### **SUBCHAPTER B. POWERS AND DUTIES OF FINANCE COMMISSION**

Sec. 279.051. ADMINISTRATION OF PROGRAM. Requires the Finance Commission of Texas (finance commission) to 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) Requires the finance commission, subject to Subsection (b), to adopt rules to implement this chapter.

(b) Requires the finance commission, in consultation with the Texas Economic Development and Tourism Office, to adopt rules regarding the criteria for the

designation of banking development districts under this chapter. Requires that the rules require the finance commission to consider:

- (1) the location, number, and proximity of sites where banking services are available in the proposed district;
- (2) consumer needs for banking services in the proposed district;
- (3) the economic viability and local credit needs of the community in the proposed district;
- (4) the existing commercial development in the proposed district; and
- (5) the impact additional banking services would have on potential economic development in the proposed district.

[Reserves Sections 279.053-279.100 for expansion.]

### SUBCHAPTER C. DESIGNATION OF BANKING DEVELOPMENT DISTRICT

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

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

Sec. 279.103. APPLICATION BY FINANCIAL INSTITUTION WITH EXISTING BRANCH IN PROPOSED DISTRICT. (a) Authorizes a local government to submit an application under Section 279.101 in conjunction with a financial institution that operates a branch in the proposed banking development district at the time the application is submitted, if the branch was opened after December 31, 1996.

(b) Requires the finance commission to consider the importance and benefits of preserving the banking services offered by the branch located in the proposed district in making a determination under Section 279.104.

Sec. 279.104. DETERMINATION BY FINANCE COMMISSION. (a) Requires the finance commission, not later than the 91st day after the date an application for the designation of a banking development district is submitted under Section 279.101, to make a determination regarding whether to approve the application.

(b) Requires the finance commission, if the finance commission approves the application, to notify the:

- (1) local government;
- (2) financial institution;
- (3) comptroller of public accounts (comptroller);
- (4) Texas Economic Development and Tourism Office;
- (5) lieutenant governor; and
- (6) speaker of the house of representatives.

[Reserves Sections 279.105-279.150 for expansion.]

SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN BANKING DISTRICT  
DEPOSITORY

Sec. 279.151. DESIGNATION OF BANKING DISTRICT DEPOSITORY. (a) Authorizes the governing body of a local government in which a banking development district has been designated under Subchapter C to by resolution designate a financial institution located in the district as a banking district depository for purposes of this subchapter.

(b) Requires that a resolution adopted under Subsection (a) specify the maximum amount that may be kept on deposit with the banking district depository.

(c) Authorizes the governing body of a local government, in calculating the yield under Section 2256.006 (Standard of Care), Government Code, of public funds deposited in a banking district depository, to consider the benefit to this state of stimulating economic development.

Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL GOVERNMENT. (a) Authorizes a local government to deposit public funds with a financial institution designated as a banking district depository under Section 279.151 regardless of whether the financial institution is designated by the comptroller as a state depository under Subchapter C (State Depositories and Investment of State Funds), Chapter 404 (State Treasury Operations of Comptroller), Government Code.

(b) Authorizes public funds deposited in the banking district depository, subject to an agreement between the governing body and the banking district depository, to earn a fixed interest rate that is at or below the financial institution's posted two-year certificate of deposit rate. Requires that the terms of the agreement be specified in the resolution adopted under Section 279.151.

Sec. 279.153. DEPOSIT OF PUBLIC FUNDS BY STATE. (a) Authorizes the comptroller, if the comptroller designates the financial institution as a state depository under Subchapter C, Chapter 404, Government Code, to deposit public funds with a financial institution designated as a banking district depository under Section 279.151.

(b) Provides that, for purposes of Subsection (a), a financial institution is subject to the collateral requirements of Section 404.031 (Collateral Requirements), Government Code.

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

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

[Reserves Sections 279.154-279.200 for expansion.]

SUBCHAPTER E. BANKING DISTRICT BENEFITS

Sec. 279.201. TAX ABATEMENT. Authorizes the governing body of a local government to enter into a tax abatement agreement as provided by Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code, with a financial institution that owns property in a banking development district.

SECTION 2. Amends Subchapter B, Chapter 312, Tax Code, by adding Section 312.2012, as follows:

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

(b) Provides that the designation of an area as a reinvestment zone under this section is for purposes of this subchapter only and not for purposes of any other law, including Chapters 311 (Tax Increment Financing Act) and 313 (Texas Economic Development Act).

SECTION 3. Amends Subchapter C, Chapter 312, Tax Code, by adding Section 312.4012, as follows:

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

(b) Provides that the designation of an area as a reinvestment zone under this section is for purposes of this subchapter only and not for purposes of any other law, including Chapters 311 and 313.

SECTION 4. Requires the finance commission, not later than January 1, 2012, to adopt rules governing the designation of banking development districts, as required by Chapter 279, Finance Code, as added by this Act.

SECTION 5. Effective date: upon passage or September 1, 2011.