

## **BILL ANALYSIS**

Senate Research Center

H.B. 1626  
By: Johnson et al. (West)  
Business & Commerce  
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Engrossed

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

H.B. 1626 amends current law relating to the designation of certain areas as banking or credit union development districts to encourage the establishment of branches of banks or credit unions 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.

Rulemaking authority is expressly granted to the Credit Union Commission in SECTION 1 (Section 279.102, 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 AND CREDIT UNION DEVELOPMENT DISTRICTS

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 279.001. DEFINITIONS. Defines "credit union," "finance commission," "financial institution," and "local government."

##### SUBCHAPTER B. BANKING DEVELOPMENT DISTRICTS

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 subchapter and Subchapter D with respect to financial institutions in banking development districts.

(b) Requires the finance commission, in consultation with the Texas Economic Development and Tourism Office (office), to adopt rules regarding the criteria for the designation of banking development districts under this subchapter. 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 banking development 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.

Sec. 279.053. 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. 279.054. APPLICATION BY FINANCIAL INSTITUTION TO OPEN BRANCH IN DISTRICT. Authorizes a financial institution to apply to open a branch in the proposed banking development district at the time the local government submits an application in conjunction with the institution under Section 279.053.

Sec. 279.055. DETERMINATION BY FINANCE COMMISSION. (a) Requires the finance commission to make a determination regarding whether to approve the application not later than the 120th day after the date an application for the designation of a banking development district is submitted under Section 279.053.

(b) Requires the finance commission, if the finance commission approves the application, to notify the entities and persons set forth in this subsection.

#### SUBCHAPTER C. CREDIT UNION DEVELOPMENT DISTRICTS

Sec. 279.101. ADMINISTRATION OF PROGRAM. Requires the Credit Union Commission (CUC) to administer and monitor a credit union development district program under this chapter to encourage the establishment of branches of a credit union in geographic areas where there is a demonstrated need for services provided by a credit union.

Sec. 279.102. RULES. (a) Requires CUC, subject to Subsection (b), to adopt rules to implement this subchapter and Subchapter D with respect to credit unions in credit union development districts.

(b) Requires CUC, in consultation with the office, to adopt rules regarding the criteria for the designation of credit union development districts under this subchapter. Requires that the rules require CUC to consider:

(1) the location, number, and proximity of sites where services provided by a credit union are available in the proposed credit union development district;

(2) consumer needs for services provided by a credit union 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 services provided by a credit union would have on potential economic development in the proposed district.

Sec. 279.103. APPLICATION FOR DESIGNATION OF CREDIT UNION DEVELOPMENT DISTRICT. Authorizes a local government, in conjunction with a credit union, to submit an application to CUC for the designation of a credit union development district.

Sec. 279.104. APPLICATION BY CREDIT UNION TO OPEN BRANCH IN DISTRICT. Authorizes a credit union to apply to open a branch in the proposed credit union development district at the time the local government submits an application in conjunction with the credit union under Section 279.103.

Sec. 279.105. DETERMINATION BY CREDIT UNION COMMISSION. (a) Requires CUC, not later than the 120th day after the date an application for the designation of a credit union development district is submitted under Section 279.103, to make a determination regarding whether to approve the application.

(b) Requires CUC, if CUC approves the application, to notify the entities and persons set forth in this subsection.

#### SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN DISTRICT DEPOSITORY

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

(b) Authorizes the governing body of a local government in which a credit union development district has been designated under Subchapter C to by resolution designate a credit union located in the district as a credit union district depository for purposes of this subchapter.

(c) Requires that a resolution adopted under Subsection (a) or (b) specify the maximum amount that may be kept on deposit with the banking district or credit union district depository, as appropriate.

(d) 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 or credit union 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 or a credit union designated as a credit union district depository under Section 279.151 regardless of whether the financial institution or credit union is designated by the comptroller of public accounts of the State of Texas (comptroller) as a state depository under Subchapter C (State Depositories and Investment of State Funds), Chapter 404, Government Code.

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

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

(b) Authorizes the comptroller to deposit public funds with a credit union designated as a credit union district depository under Section 279.151(b) if the comptroller designates the credit union as a state depository under Subchapter C, Chapter 404, Government Code.

(c) Provides that, for purposes of Subsections (a) and (b), a financial institution or credit union is subject to the collateral requirements of Section 404.031 (Collateral Requirements), Government Code.

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

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

SECTION 2. Requires the finance commission, not later than January 1, 2016, to adopt rules governing the designation of banking development districts, as required by Subchapter B, Chapter 279, Finance Code, as added by this Act.

SECTION 3. Requires CUC, not later than January 1, 2016, to adopt rules governing the designation of credit union development districts, as required by Subchapter C, Chapter 279, Finance Code, as added by this Act.

SECTION 4. Effective date: upon passage or September 1, 2015.