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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2692

03/05/2012 Authored by Hornstein

The bill was read for the first time and referred to the Committee on Government Operations and Elections

1.1 A bill for an act  
1.2 relating to financial institutions; providing for increased use of community  
1.3 financial institutions for state banking services; amending Minnesota Statutes  
1.4 2010, sections 16A.011, by adding a subdivision; 16A.27, subdivision 3;  
1.5 16A.671, subdivision 6a; proposing coding for new law in Minnesota Statutes,  
1.6 chapter 16A.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2010, section 16A.011, is amended by adding a  
1.9 subdivision to read:

1.10 Subd. 8a. **Community financial institution.** "Community financial institution"  
1.11 means a federally insured bank or credit union, chartered as a bank or credit union by this  
1.12 state or by the United States, that is headquartered in this state.

1.13 Sec. 2. **[16A.259] STATE INVESTMENT ACCOUNTS AT COMMUNITY**  
1.14 **FINANCIAL INSTITUTIONS.**

1.15 (a) The commissioner shall adopt rules to develop a program that gives preference to  
1.16 community financial institutions through short-term and long-term investment of state  
1.17 funds in community financial institutions, through purchase of certificates of deposit  
1.18 or otherwise.

1.19 (b) The rules shall determine that portion of state funds that is not needed to meet  
1.20 short-term liquidity needs and create an investment program for that portion of the general  
1.21 fund in community financial institutions, in order to increase lending by those institutions  
1.22 to businesses headquartered in this state and residents of this state. The investment  
1.23 program rules must include accountability and reporting requirements requiring a  
1.24 participating community financial institution to provide information that enables the

2.1 commissioner to evaluate the effectiveness of the program, including how state funds are  
2.2 used by the community financial institution and the impact of state funds on the ability of  
2.3 the community financial institution to make loans to businesses and residents of this state.

2.4 (c) The rules adopted under paragraph (b) must balance the state's investment  
2.5 priorities, such as preservation of the principal balance, maintenance of liquidity, and  
2.6 maximum return, with the need for a program in which the state invests in certificates of  
2.7 deposit that have a term to maturity of at least one year in order to provide community  
2.8 financial institutions with more reserves to lend to Minnesota businesses.

2.9 Sec. 3. Minnesota Statutes 2010, section 16A.27, subdivision 3, is amended to read:

2.10 Subd. 3. **Competitive bids.** (a) The depository for a state account must be  
2.11 selected by competitive bid. The commissioner shall invite bids by written notice to  
2.12 designated depositories. The notice must specify the considerations, financial activities,  
2.13 and conditions the commissioner requires for the bid. The account must be awarded to  
2.14 the lowest bidding depository that can, in the opinion of the commissioner, meet the  
2.15 requirements.

2.16 (b) The commissioner shall give a preference to a community financial institution to  
2.17 act as the fiscal agent bank of the state. When proposals are received from a community  
2.18 financial institution and a nonresident financial institution, the contract shall be awarded  
2.19 to the community financial institution if:

2.20 (1) the community financial institution meets the minimum requirements of the  
2.21 commissioner;

2.22 (2) the proposal price of the community financial institution when multiplied by a  
2.23 factor of .9 is lower than the proposal price of a nonresident financial institution; and

2.24 (3) the community financial institution proposal meets or exceeds the other  
2.25 evaluation criteria set in the scope of procurement by the commissioner.

2.26 Sec. 4. Minnesota Statutes 2010, section 16A.671, subdivision 6a, is amended to read:

2.27 Subd. 6a. **Fiscal agent bank.** The commissioner may enter into an agreement with  
2.28 a suitable bank or banks, including a community financial institution, located within ~~or~~  
2.29 ~~outside~~ the state to authenticate, issue, pay principal and interest on, cancel or otherwise  
2.30 deal with certificates of indebtedness issued pursuant to this section, for an agreed  
2.31 compensation.

2.32 Sec. 5. **EFFECTIVE DATE.**

2.33 Sections 1 to 4 are effective for fiscal year 2014 and thereafter.