A bill for an act

relating to finance; creating a preference for community banks and credit unions for the state's general revenue account; requiring that state depository accounts be held in community banks or credit unions; requiring a study of possible further use of community banks and credit unions by the state and municipalities; amending Minnesota Statutes 2008, section 16A.27, as amended.

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

Section 1. Minnesota Statutes 2008, section 16A.27, as amended by Laws 2009, chapter 32, section 6, is amended to read:

16A.27 STATE FUNDS; DEPOSIT; CONTROL BY COMMISSIONER.

Subdivision 1. **Commissioner to comply.** The commissioner shall, in the public interest, control the amount and manner of deposit of state funds in depositories by the commissioner. The commissioner shall comply with the controls.

Subd. 2. **Daily record.** Each day the commissioner shall maintain a record on the department's Web site of all depositories holding noninterest bearing state deposits in excess of $100,000.

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

(b) The commissioner of management and budget shall give a preference to a community financial institution to act as the fiscal agent of the state's general revenue account. When bids are received from a community financial institution and a nonresident

financial institution, the contract must be awarded to the community financial institution whose bid is nearest to the bid price of the otherwise-low nonresident financial institution bidder, if the price of the community financial institution is lower than the bid price of that nonresident financial institution when multiplied by a factor of 0.9.

Subd. 4. **Exceptions.** In exceptional cases, the commissioner may dispense with bidding. The commissioner shall report the circumstances and reasons to the Legislative Audit Commission within five days after opening the account.

Subd. 5. **Charges, compensating balances.** The commissioner may pay a depository a reasonable charge from appropriated money, maintain appropriate compensating balances with the depository, or purchase non-interest-bearing certificates of deposit from the depository for performing depository related services.

Subd. 6. **Depository accounts.** Each new depository account of the state or of a state agency must be opened with a community financial institution, and existing depository accounts must be transferred to a community financial institution at the first time of rebidding occurring on or after August 1, 2010.

Subd. 7. **Definitions.** As used in this section:

(1) "community financial institution" means a federally insured bank or credit union, chartered as a bank or credit union by the state of Minnesota or the United States, that is headquartered in Minnesota; and

(2) "nonresident financial institution" means a bank or credit union that is not headquartered in Minnesota.

Sec. 2. **STUDY OF DIVISION OF GENERAL FUND REVENUE ACCOUNT.**

(a) The commissioner of management and budget shall study:

(1) the feasibility of dividing the state's general fund revenue account among community financial institutions as defined in Minnesota Statutes, section 16A.27, subdivision 7, in order to ensure that state money benefits Minnesota residents; and

(2) the potential economic benefit to municipalities from an increase in their use of community financial institutions as defined in clause (1).

(b) The commissioner of management and budget shall report the results of the study to the legislature by December 1, 2010.