
A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 SECTION 1. Chapter 36, Hawaii Revised Statutes, is amended
2 by adding a new section to be appropriately designated and to
3 read as follows:

4 "§36- **Linked investments.** (a) An eligible lending
5 institution shall accept and review applications for loans,
6 certify applicants that are eligible borrowers, and prepare
7 linked investment loan packages in a form and manner prescribed
8 by the director of finance. The loan package shall include
9 information on the amount of the loan requested, the purpose of
10 the loan, and the eligible lending institution's certification
11 that the applicant is an eligible borrower. The director of
12 finance shall accept or reject the linked investment loan
13 package, with consideration given to the availability of state
14 funds. Upon acceptance of the linked investment loan package,
15 the director of finance, pursuant to section 36-21, shall place
16 a certificate of deposit for the loan amount with the eligible
17 lending institution.



1 (b) The director of finance may invest not more than ten
2 per cent of moneys available in the state treasury for deposit,
3 under section 38-2, in linked investments.

4 (c) Loans made through linked investments shall not exceed
5 \$ and shall not be used for the purchase of real property
6 as defined in section 246-1.

7 (d) In the event that an eligible borrower defaults on a
8 loan made through a linked investment, the State shall have no
9 liability for payment of the outstanding amount of the loan.

10 (e) As used in this section:

11 "Eligible borrower" means an entity, individual or
12 corporate, that:

13 (1) Is engaged in agriculture, as defined in section 163D-
14 2, or proposes to be engaged in agriculture, as
15 defined in section 163D-2, and submits a viable
16 agricultural business plan; and

17 (2) Is certified as an eligible borrower by an eligible
18 lending institution.

19 "Eligible lending institution" means any federally insured
20 national or state bank, savings and loan association, financial
21 services loan company, or federal or state credit union insured
22 by the National Credit Union Administration, which is authorized



1 to do business in this state and that has entered into an
2 agreement with the director of finance to receive linked
3 investments.

4 "Linked investment" means a certificate of deposit placed
5 with an eligible lending institution; provided that the eligible
6 lending institution agrees to lend the value of the certificate
7 of deposit to an eligible borrower at a rate not more than the
8 prime rate or per cent a year, whichever is less; and
9 provided further that the certificate of deposit shall:

- 10 (1) Earn a rate of interest of not more than one per cent
11 below current market rates or two per cent, whichever
12 is greater;
13 (2) Not be subject to a penalty for early withdrawal; and
14 (3) Have a maturity of one year for the initial period
15 with an option for renewal for eight additional one-
16 year periods."

17 SECTION 2. Section 36-21, Hawaii Revised Statutes, is
18 amended by amending subsection (a) to read as follows:

19 "(a) The director of finance may invest any moneys of the
20 State which in the director's judgment are in excess of the
21 amounts necessary for meeting the immediate requirements of the
22 State and where in the director's judgment the action will not



1 impede or hamper the necessary financial operations of the State
2 in:

3 (1) Any bonds or interest-bearing notes or obligations:

4 (A) Of the State (including state director of
5 finance's warrant notes issued pursuant to
6 chapter 40);

7 (B) Of the United States;

8 (C) For which the faith and credit of the United
9 States are pledged for the payment of principal
10 and interest;

11 (2) Federal Farm Credit System notes and bonds;

12 (3) Federal Agricultural Mortgage Corporation notes and
13 bonds;

14 (4) Federal Home Loan Bank notes and bonds;

15 (5) Federal Home Loan Mortgage Corporation bonds;

16 (6) Federal National Mortgage Association notes and bonds;

17 (7) Student Loan Marketing Association notes and bonds;

18 (8) Tennessee Valley Authority notes and bonds;

19 (9) Securities of a mutual fund whose portfolio is limited
20 to bonds or securities issued or guaranteed by the
21 United States or an agency thereof or repurchase



- 1 agreements fully collateralized by any such bonds or
2 securities;
- 3 (10) Securities of a money market mutual fund that is rated
4 AAA, or its equivalent, by a nationally recognized
5 rating agency or whose portfolio consists of
6 securities that are rated as first tier securities by
7 a nationally recognized statistical rating
8 organization as provided in 17 Code of Federal
9 Regulations section 270.2a-7;
- 10 (11) Federally insured savings accounts;
- 11 (12) Time certificates of deposit;
- 12 (13) Certificates of deposit open account;
- 13 (14) Repurchase agreements with federally insured banks,
14 savings and loan associations, and financial services
15 loan companies;
- 16 (15) Student loan resource securities including:
17 (A) Student loan auction rate securities;
18 (B) Student loan asset-backed notes;
19 (C) Student loan program revenue notes and bonds; and
20 (D) Securities issued pursuant to Rule 144A of the
21 Securities Act of 1933, including any private
22 placement issues;



1 issued with either bond insurance or
2 overcollateralization guaranteed by the United States
3 Department of Education; provided all insurers
4 maintain a triple-A rating by Standard & Poor's,
5 Moody's, Duff & Phelps, Fitch, or any other major
6 national securities rating agency;

7 (16) Commercial paper with an A1/P1 or equivalent rating by
8 any national securities rating service; ~~and~~

9 (17) Bankers' acceptances with an A1/P1 or equivalent
10 rating by any national securities rating service; and

11 (18) Linked investments under section 36- ;

12 provided that the investments are due to mature not more than
13 five years from the date of investment. Income derived from
14 those investments shall be a realization of the general fund;
15 provided that income earned from moneys invested by the general
16 funds, special funds, bond funds, and trust and agency funds on
17 an investment pool basis shall be paid into and credited to the
18 respective funds based on the contribution of moneys into the
19 investment pool by each fund. As used in this section,
20 "investment pool" means the aggregate of state treasury moneys
21 that are maintained in the custody of the director of finance



1 for investment and reinvestment without regard to fund
2 designation."

3 SECTION 3. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act shall take effect on July 1, 2007.



Report Title:

Linked Investments; Agricultural Loans

Description:

Establishes linked investments to provide loan funds for agriculture. Authorizes the State to invest in linked investments. Provides that a lending institution is liable for default of a linked investment loan. (HB3067 HD1)

