
A BILL FOR AN ACT

RELATING TO INVESTMENTS.

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

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

4 "§36-A Advisory committee on short-term investments. (a)

5 There is established an advisory committee on short-term
6 investments administratively attached to the department of
7 budget and finance and consisting of the following members:

8 (1) The director of finance;

9 (2) Two members appointed by the Hawaii bankers
10 association;

11 (3) One member appointed by the speaker of the house of
12 representatives; and

13 (4) One member appointed by the president of the senate.

14 (b) The advisory committee shall assist and advise the
15 director of finance on the establishment and operation of a
16 short-term investment pool, including:

17 (1) Formulating an investment policy;

18 (2) Determining eligible investment vehicles;



- 1 (3) Establishing performance standards;
2 (4) Monitoring the outflow of funds from financial
3 institutions;
4 (5) Determining compliance with written investment
5 policies; and
6 (6) Conducting periodic reviews of the short-term
7 investment pool.

8 **§36-B Short-term investment of state moneys.** (a) The
9 director of finance, with the assistance of the advisory
10 committee on short-term investments, may invest any moneys of
11 the State which, in the director of finance's judgment, exceed
12 the amounts necessary to meet the immediate requirements of the
13 State and whereby, in the director of finance's judgment, the
14 action will not impede or hamper the necessary financial
15 operations of the State. The short-term investments shall be
16 limited to:

- 17 (1) Any bonds, interest-bearing notes, or obligations:
18 (A) Of the State (including the director of finance's
19 warrant notes issued pursuant to chapter 40);
20 (B) Of the United States; and



- 1 (C) For which the full faith and credit of the United
2 States are pledged for the payment of principal
3 and interest;
- 4 (2) Federal Farm Credit System notes and bonds;
- 5 (3) Federal Agricultural Mortgage Corporation notes and
6 bonds;
- 7 (4) Federal Home Loan Bank notes and bonds;
- 8 (5) Federal Home Loan Mortgage Corporation notes and
9 bonds;
- 10 (6) Federal National Mortgage Association notes and bonds;
- 11 (7) Student Loan Marketing Association notes and bonds;
- 12 (8) Tennessee Valley Authority notes and bonds;
- 13 (9) Securities of a mutual fund whose portfolio is limited
14 to bonds or securities issued or guaranteed by the
15 United States or an agency thereof or repurchase
16 agreements fully collateralized by any such bonds or
17 securities;
- 18 (10) Securities of a money market mutual fund that is rated
19 AAA, or its equivalent, by a nationally recognized
20 rating agency or whose portfolio consists of
21 securities that are rated as first-tier securities by
22 a nationally-recognized statistical rating



1 organization as provided in Title 17 Code of Federal
2 Regulations Section 270.2a-7;
3 (11) Federally insured savings accounts;
4 (12) Time certificates of deposit;
5 (13) Certificates of deposit open account;
6 (14) Repurchase agreements with federally insured banks,
7 savings and loan associations, and financial services
8 loan companies;
9 (15) Student loan resource securities, including:
10 (A) Student loan auction rate securities;
11 (B) Student loan asset-backed notes;
12 (C) Student loan program revenue notes and bonds; and
13 (D) Securities issued pursuant to Rule 144A of the
14 Securities Act of 1933, including any private
15 placement issues,
16 issued with either bond insurance or over
17 collateralization guaranteed by the United States
18 Department of Education; provided that all insurers
19 maintain a triple-A rating by Standard & Poor's,
20 Moody's, Duff & Phelps, Fitch, or any other major
21 national securities-rating agency;



1 (16) Commercial paper with an A1/P1 or equivalent rating by
2 any national securities-rating service; and
3 (17) Bankers' acceptances with an A1/P1 or equivalent
4 rating by any national securities-rating service;
5 provided that for authorized investments with stated maturity
6 dates, the investment, as well as any underlying securities of
7 those investments, are due to mature not more than five years
8 from the date of investment. Income derived from those
9 investments shall be a realization of the general fund; provided
10 that, except as provided by Act 79, Session Laws of Hawaii 2009,
11 income earned from moneys invested by the general funds, special
12 funds, bond funds, and trust and agency funds on an investment
13 pool basis shall be paid into and credited to the respective
14 funds based on the contributions of moneys into the investment
15 pool by each fund.

16 As used in this section:

17 "Investment pool" means the aggregate of state treasury
18 moneys that are maintained in the custody of the director of
19 finance for investment and reinvestment without regard to fund
20 designation.

21 (b) Except with respect to an early withdrawal penalty on
22 an investment permitted by this section, the amount of such



1 penalty being mutually agreed upon at the time of acquisition of
2 such investment, no investment permitted by this section shall
3 require or may in the future require payments by the State,
4 whether unilateral, reciprocal, or otherwise, including margin
5 payments, or shall bear interest at a variable rate which causes
6 or may cause the market price of such investment to fluctuate;
7 provided that such limitations shall not apply to money market
8 mutual funds that:

9 (1) Invest solely in:

10 (A) Direct and general obligations of the United
11 States; or

12 (B) Obligations of any agency or instrumentality of
13 the United States, the payment of the principal
14 and interest on which are unconditionally
15 guaranteed by the full faith and credit of the
16 United States;

17 (2) Are rated at the time of purchase "AAAm-G" or its
18 equivalent by Standard & Poor's Ratings Group; and

19 (3) Are open-end management investment companies regulated
20 under the Investment Company Act of 1940, as amended,
21 which calculate their current price per share pursuant



1 to Rule 2a-7 (17 Code of Federal Regulations section
2 270.2a-7) promulgated under such act.

3 (c) The State shall not acquire any investment or enter
4 into any agreement in connection with the acquisition of any
5 investment or related to any existing investment held by the
6 State, which would require or may in the future require any
7 payment by the State, whether unilateral, reciprocal, or
8 otherwise, such as swap agreements, hedge agreements, or other
9 similar agreements. For purposes of this section, a swap or
10 hedge payment is any payment made by the State in consideration
11 or in exchange for a reciprocal payment by any person, such as a
12 variable rate payment in exchange for a fixed rate payment, a
13 fixed rate payment in exchange for a variable rate payment, a
14 payment when a cap or a floor amount is exceeded, or other
15 similar payment.

16 (d) The short-term investment pool may be operated under
17 contract with a private investment advisor or advisors, approved
18 by the director of finance and the advisory committee on short-
19 term investments, in accordance with chapter 103D.

20 (e) The director of finance shall ensure that periodic
21 statements of accounts and reports on holdings are provided to



1 state agencies with accounts participating in the pool, relative
2 to their proportionate share of the pool.

3 (f) The investment pool shall be subject to independent
4 audit conducted on an annual basis, as part of the State's
5 comprehensive annual financial audit."

6 SECTION 2. Act 79, Session Laws of Hawaii 2009, is amended
7 as follows:

8 1. By amending subsection (a) of section 30 to read:

9 "(a) Notwithstanding any other law to the contrary, from
10 July 1, 2009, until June 30, 2015, the director of finance may
11 deposit into the general fund the interest earned on the short-
12 term investment of moneys of the special funds, revolving funds,
13 and special accounts listed in this section. For purposes of
14 this section, "short-term investment" means an investment made
15 by the director of finance in accordance with [~~section 36-21,~~
16 ~~Hawaii Revised Statutes.~~] section 36-B, Hawaii Revised Statutes,
17 of section 1, of Act , Session Laws of Hawaii 2011.

18 This subsection shall be applicable to the following
19 special funds, revolving funds, and special accounts:

20 (1) Tobacco enforcement special fund -- section 28-15,
21 Hawaii Revised Statutes;



- 1 (2) Environmental response revolving fund -- section 128D-
2 2, Hawaii Revised Statutes;
- 3 (3) Special land and development fund -- section 171-19,
4 Hawaii Revised Statutes;
- 5 (4) Beach restoration special fund -- section 171-156,
6 Hawaii Revised Statutes;
- 7 (5) Land conservation fund -- section 173A-5, Hawaii
8 Revised Statutes;
- 9 (6) Dam and reservoir safety special fund -- section 179D-
10 25, Hawaii Revised Statutes;
- 11 (7) State parks special fund -- section 184-3.4, Hawaii
12 Revised Statutes;
- 13 (8) Firefighter's contingency fund -- section 185-4(d),
14 Hawaii Revised Statutes;
- 15 (9) Commercial fisheries special fund -- section 189-2.4,
16 Hawaii Revised Statutes;
- 17 (10) Natural area reserve fund -- section 195-9, Hawaii
18 Revised Statutes;
- 19 (11) Forest stewardship fund -- section 195F-4, Hawaii
20 Revised Statutes;
- 21 (12) Housing finance revolving fund -- section 201H-80,
22 Hawaii Revised Statutes;



- 1 (13) Rental assistance revolving fund -- section 201H-123,
2 Hawaii Revised Statutes;
- 3 (14) Dwelling unit revolving fund -- section 201H-191,
4 Hawaii Revised Statutes;
- 5 (15) Rental motor vehicle customer facility charge special
6 fund -- section 261-5.6, Hawaii Revised Statutes;
- 7 (16) Education research and development revolving fund --
8 section 302A-305, Hawaii Revised Statutes;
- 9 (17) School bus fare revolving fund -- section 302A-407.5,
10 Hawaii Revised Statutes;
- 11 (18) Hawaii teacher standards board special fund -- section
12 302A-806, Hawaii Revised Statutes;
- 13 (19) Textbook and instructional materials fee special
14 account -- section 302A-1130.6, Hawaii Revised
15 Statutes;
- 16 (20) After-school plus program revolving fund -- section
17 302A-1149.5, Hawaii Revised Statutes;
- 18 (21) Food distribution program revolving fund -- section
19 302A-1315, Hawaii Revised Statutes;
- 20 (22) Federal grants search, development, and application
21 revolving fund -- section 302A-1405, Hawaii Revised
22 Statutes;



- 1 (23) School-level minor repairs and maintenance special
2 fund -- section 302A-1504.5, Hawaii Revised Statutes;
- 3 (24) Domestic violence and sexual assault special fund --
4 section 321-1.3, Hawaii Revised Statutes;
- 5 (25) Early intervention special fund -- section 321-355,
6 Hawaii Revised Statutes;
- 7 (26) Public health nursing services special fund -- section
8 321-432, Hawaii Revised Statutes;
- 9 (27) Neurotrauma special fund -- section 321H-4, Hawaii
10 Revised Statutes;
- 11 (28) State health planning and development special fund --
12 section 323D-12.6, Hawaii Revised Statutes;
- 13 (29) Hawaii tobacco settlement special fund -- section
14 328L-2, Hawaii Revised Statutes;
- 15 (30) Vital statistics improvement special fund -- section
16 338-14.6, Hawaii Revised Statutes;
- 17 (31) Wastewater treatment certification board special fund
18 -- section 340B-3.5, Hawaii Revised Statutes;
- 19 (32) Deposit beverage container deposit special fund --
20 section 342G-104, Hawaii Revised Statutes;
- 21 (33) Leaking underground storage tank fund -- section 342L-
22 51, Hawaii Revised Statutes;



- 1 (34) Correctional industries revolving fund -- section
2 354D-10, Hawaii Revised Statutes;
- 3 (35) Employment and training fund -- section 383-128,
4 Hawaii Revised Statutes;
- 5 (36) Hoisting machine operators' certification revolving
6 fund -- section 396-20, Hawaii Revised Statutes;
- 7 (37) Notaries public revolving fund -- section 456-9.5,
8 Hawaii Revised Statutes;
- 9 (38) Solicitation of funds for charitable purposes special
10 fund -- section 467B-15, Hawaii Revised Statutes;
- 11 (39) Bureau of conveyances special fund -- section 502-8,
12 Hawaii Revised Statutes;
- 13 (40) Drug demand reduction assessments special fund --
14 section 706-650, Hawaii Revised Statutes;
- 15 (41) Criminal forfeiture fund -- section 712A-16, Hawaii
16 Revised Statutes;
- 17 (42) Criminal history record improvement revolving fund --
18 section 846-10.6, Hawaii Revised Statutes; and
- 19 (43) State identification revolving fund -- section 846-27,
20 Hawaii Revised Statutes."
- 21 2. By amending section 34 to read:



1 "SECTION 34. This Act shall take effect upon its approval;
2 provided that:

3 (1) Part I shall take effect on June 1, 2009;

4 (2) Part II shall take effect on June 1, 2009;

5 (3) Part III shall take effect on July 1, 2009, and shall
6 be repealed on June 30, 2015; provided that sections
7 21D-5, 36-27, 36-30, 201-85, 304A-3005, 342D-82, and
8 261D-3, Hawaii Revised Statutes, shall be reenacted in
9 the form in which they read on June 30, 2009; and

10 (4) Part IV shall take effect on July 1, 2009, and shall
11 be repealed on July 1, 2015 [~~provided that section~~
12 ~~36-21, Hawaii Revised Statutes, shall be reenacted in~~
13 ~~the form in which it read on June 30, 2009]~~."

14 SECTION 3. Section 36-21, Hawaii Revised Statutes, is
15 repealed.

16 [~~§36-21 Short term investment of state moneys. (a) The~~
17 ~~director of finance may invest any moneys of the State which in~~
18 ~~the director's judgment are in excess of the amounts necessary~~
19 ~~for meeting the immediate requirements of the State and where in~~
20 ~~the director's judgment the action will not impede or hamper the~~
21 ~~necessary financial operations of the State in:~~

22 ~~(1) Any bonds or interest bearing notes or obligations:~~



- 1 ~~(A) Of the State (including state director of~~
2 ~~finance's warrant notes issued pursuant to~~
3 ~~chapter 40);~~
- 4 ~~(B) Of the United States;~~
- 5 ~~(C) For which the faith and credit of the United~~
6 ~~States are pledged for the payment of principal~~
7 ~~and interest;~~
- 8 ~~(2) Federal Farm Credit System notes and bonds;~~
- 9 ~~(3) Federal Agricultural Mortgage Corporation notes and~~
10 ~~bonds;~~
- 11 ~~(4) Federal Home Loan Bank notes and bonds;~~
- 12 ~~(5) Federal Home Loan Mortgage Corporation bonds;~~
- 13 ~~(6) Federal National Mortgage Association notes and bonds;~~
- 14 ~~(7) Student Loan Marketing Association notes and bonds;~~
- 15 ~~(8) Tennessee Valley Authority notes and bonds;~~
- 16 ~~(9) Securities of a mutual fund whose portfolio is limited~~
17 ~~to bonds or securities issued or guaranteed by the~~
18 ~~United States or an agency thereof or repurchase~~
19 ~~agreements fully collateralized by any such bonds or~~
20 ~~securities;~~
- 21 ~~(10) Securities of a money market mutual fund that is rated~~
22 ~~AAA, or its equivalent, by a nationally recognized~~



1 ~~rating agency or whose portfolio consists of~~
2 ~~securities that are rated as first tier securities by~~
3 ~~a nationally recognized statistical rating~~
4 ~~organization as provided in 17 Code of Federal~~
5 ~~Regulations section 270.2a-7;~~
6 ~~(11) Federally insured savings accounts;~~
7 ~~(12) Time certificates of deposit;~~
8 ~~(13) Certificates of deposit open account;~~
9 ~~(14) Repurchase agreements with federally insured banks,~~
10 ~~savings and loan associations, and financial services~~
11 ~~loan companies;~~
12 ~~(15) Student loan resource securities including:~~
13 ~~(A) Student loan auction rate securities;~~
14 ~~(B) Student loan asset backed notes;~~
15 ~~(C) Student loan program revenue notes and bonds; and~~
16 ~~(D) Securities issued pursuant to Rule 144A of the~~
17 ~~Securities Act of 1933, including any private~~
18 ~~placement issues;~~
19 ~~issued with either bond insurance or~~
20 ~~overcollateralization guaranteed by the United States~~
21 ~~Department of Education; provided all insurers~~
22 ~~maintain a triple A rating by Standard & Poor's,~~



1 ~~Moody's, Duff & Phelps, Fitch, or any other major~~
2 ~~national securities rating agency,~~
3 ~~(16) Commercial paper with an A1/P1 or equivalent rating by~~
4 ~~any national securities rating service, and~~
5 ~~(17) Bankers' acceptances with an A1/P1 or equivalent~~
6 ~~rating by any national securities rating service,~~
7 ~~provided that for authorized investments with stated maturity~~
8 ~~dates, the investment, as well as the underlying securities of~~
9 ~~those investments, are due to mature not more than five years~~
10 ~~from the date of investment. Income derived from those~~
11 ~~investments shall be a realization of the general fund; provided~~
12 ~~that, except as provided by Act 79, Session Laws of Hawaii 2009,~~
13 ~~income earned from moneys invested by the general funds, special~~
14 ~~funds, bond funds, and trust and agency funds on an investment~~
15 ~~pool basis shall be paid into and credited to the respective~~
16 ~~funds based on the contribution of moneys into the investment~~
17 ~~pool by each fund. As used in this section, "investment pool"~~
18 ~~means the aggregate of state treasury moneys that are maintained~~
19 ~~in the custody of the director of finance for investment and~~
20 ~~reinvestment without regard to fund designation.~~
21 ~~(b) Except with respect to an early withdrawal penalty on~~
22 ~~an investment permitted by this section, the amount of such~~



1 ~~penalty being mutually agreed at the time of acquisition of such~~
2 ~~investment, no investment permitted by this section shall~~
3 ~~require or may in the future require payments by the State,~~
4 ~~whether unilateral, reciprocal, or otherwise, including margin~~
5 ~~payments, or shall bear interest at a variable rate which causes~~
6 ~~or may cause the market price of such investment to fluctuate,~~
7 ~~provided that such limitation shall not apply to money market~~
8 ~~mutual funds which:~~

9 ~~(1) Invest solely in:~~

10 ~~(A) Direct and general obligations of the United~~
11 ~~States of America; or~~

12 ~~(B) Obligations of any agency or instrumentality of~~
13 ~~the United States of America the payment of the~~
14 ~~principal and interest on which are~~
15 ~~unconditionally guaranteed by the full faith and~~
16 ~~credit of the United States of America;~~

17 ~~(2) Are rated at the time of purchase "AAAm G" or its~~
18 ~~equivalent by Standard & Poor's Ratings Group; and~~

19 ~~(3) Are open end management investment companies regulated~~
20 ~~under the Investment Company Act of 1940, as amended,~~
21 ~~which calculate their current price per share pursuant~~



1 ~~to Rule 2a-7 (17 Code of Federal Regulations section~~
2 ~~270.2a-7) promulgated under such act.~~

3 ~~(c) Furthermore, the State shall not acquire any~~
4 ~~investment or enter into any agreement in connection with the~~
5 ~~acquisition of any investment or related to any existing~~
6 ~~investment held by the State, which would require or may in the~~
7 ~~future require any payment by the State, whether unilateral,~~
8 ~~reciprocal, or otherwise, such as swap agreements, hedge~~
9 ~~agreements, or other similar agreements. For purposes of this~~
10 ~~section, a swap or hedge payment is any payment made by the~~
11 ~~State in consideration or in exchange for a reciprocal payment~~
12 ~~by any person, such as a variable rate payment in exchange for a~~
13 ~~fixed rate payment, a fixed rate payment in exchange for a~~
14 ~~variable rate payment, a payment when a cap or a floor amount is~~
15 ~~exceeded, or other similar payment."]~~

16 SECTION 4. In codifying the new sections added by section
17 1 of this Act, the revisor of statutes shall substitute
18 appropriate section numbers for the letters used in designating
19 the new sections in this Act.

20 SECTION 5. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.

22 SECTION 6. This Act shall take effect on July 1, 2112.



Report Title:

State Monies; Short-term Investments

Description:

Establishes an Advisory Committee on Short-term Investments administratively attached to the Department of Budget and Finance to assist the Director of Finance in making short-term investments. Establishes additional requirements in the management of the short-term investments. Allows for the operation of the short-term investment pool under contract with a private investment advisor or advisors. Effective July 1, 2112. (HB1179 HD3)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

