
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- Advisory committee on short-term investments.

5 (a) 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- 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 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 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, approved by the
18 director of finance and the advisory committee on short-term
19 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. Section 36-21, Hawaii Revised Statutes, is
7 repealed.

8 [~~"§36-21 Short term investment of state moneys. (a) The~~
9 ~~director of finance may invest any moneys of the State which in~~
10 ~~the director's judgment are in excess of the amounts necessary~~
11 ~~for meeting the immediate requirements of the State and where in~~
12 ~~the director's judgment the action will not impede or hamper the~~
13 ~~necessary financial operations of the State in:~~

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

15 ~~(A) Of the State (including state director of~~
16 ~~finance's warrant notes issued pursuant to~~
17 ~~chapter 40);~~

18 ~~(B) Of the United States;~~

19 ~~(C) For which the faith and credit of the United~~
20 ~~States are pledged for the payment of principal~~
21 ~~and interest;~~

22 ~~(2) Federal Farm Credit System notes and bonds;~~



- 1 ~~(3) Federal Agricultural Mortgage Corporation notes and~~
2 ~~bonds;~~
- 3 ~~(4) Federal Home Loan Bank notes and bonds;~~
- 4 ~~(5) Federal Home Loan Mortgage Corporation bonds;~~
- 5 ~~(6) Federal National Mortgage Association notes and bonds;~~
- 6 ~~(7) Student Loan Marketing Association notes and bonds;~~
- 7 ~~(8) Tennessee Valley Authority notes and bonds;~~
- 8 ~~(9) Securities of a mutual fund whose portfolio is limited~~
9 ~~to bonds or securities issued or guaranteed by the~~
10 ~~United States or an agency thereof or repurchase~~
11 ~~agreements fully collateralized by any such bonds or~~
12 ~~securities;~~
- 13 ~~(10) Securities of a money market mutual fund that is rated~~
14 ~~AAA, or its equivalent, by a nationally recognized~~
15 ~~rating agency or whose portfolio consists of~~
16 ~~securities that are rated as first tier securities by~~
17 ~~a nationally recognized statistical rating~~
18 ~~organization as provided in 17 Code of Federal~~
19 ~~Regulations section 270.2a-7;~~
- 20 ~~(11) Federally insured savings accounts;~~
- 21 ~~(12) Time certificates of deposit;~~
- 22 ~~(13) Certificates of deposit open account;~~



- 1 ~~(14) Repurchase agreements with federally insured banks,~~
2 ~~savings and loan associations, and financial services~~
3 ~~loan companies;~~
- 4 ~~(15) Student loan resource securities including:~~
- 5 ~~(A) Student loan auction rate securities;~~
6 ~~(B) Student loan asset backed notes;~~
7 ~~(C) Student loan program revenue notes and bonds; and~~
8 ~~(D) Securities issued pursuant to Rule 144A of the~~
9 ~~Securities Act of 1933, including any private~~
10 ~~placement issues;~~
- 11 ~~issued with either bond insurance or~~
12 ~~overcollateralization guaranteed by the United States~~
13 ~~Department of Education; provided all insurers~~
14 ~~maintain a triple A rating by Standard & Poor's,~~
15 ~~Moody's, Duff & Phelps, Fitch, or any other major~~
16 ~~national securities rating agency;~~
- 17 ~~(16) Commercial paper with an A1/P1 or equivalent rating by~~
18 ~~any national securities rating service; and~~
- 19 ~~(17) Bankers' acceptances with an A1/P1 or equivalent~~
20 ~~rating by any national securities rating service;~~
21 ~~provided that for authorized investments with stated maturity~~
22 ~~dates, the investment, as well as the underlying securities of~~



1 ~~those investments, are due to mature not more than five years~~
2 ~~from the date of investment. Income derived from those~~
3 ~~investments shall be a realization of the general fund, provided~~
4 ~~that, except as provided by Act 79, Session Laws of Hawaii 2009,~~
5 ~~income earned from moneys invested by the general funds, special~~
6 ~~funds, bond funds, and trust and agency funds on an investment~~
7 ~~pool basis shall be paid into and credited to the respective~~
8 ~~funds based on the contribution of moneys into the investment~~
9 ~~pool by each fund. As used in this section, "investment pool"~~
10 ~~means the aggregate of state treasury moneys that are maintained~~
11 ~~in the custody of the director of finance for investment and~~
12 ~~reinvestment without regard to fund designation.~~

13 ~~(b) Except with respect to an early withdrawal penalty on~~
14 ~~an investment permitted by this section, the amount of such~~
15 ~~penalty being mutually agreed at the time of acquisition of such~~
16 ~~investment, no investment permitted by this section shall~~
17 ~~require or may in the future require payments by the State,~~
18 ~~whether unilateral, reciprocal, or otherwise, including margin~~
19 ~~payments, or shall bear interest at a variable rate which causes~~
20 ~~or may cause the market price of such investment to fluctuate;~~
21 ~~provided that such limitation shall not apply to money market~~
22 ~~mutual funds which:~~



- 1 ~~(1) Invest solely in:~~
- 2 ~~(A) Direct and general obligations of the United~~
- 3 ~~States of America; or~~
- 4 ~~(B) Obligations of any agency or instrumentality of~~
- 5 ~~the United States of America the payment of the~~
- 6 ~~principal and interest on which are~~
- 7 ~~unconditionally guaranteed by the full faith and~~
- 8 ~~credit of the United States of America;~~
- 9 ~~(2) Are rated at the time of purchase "AAAm G" or its~~
- 10 ~~equivalent by Standard & Poor's Ratings Group; and~~
- 11 ~~(3) Are open end management investment companies regulated~~
- 12 ~~under the Investment Company Act of 1940, as amended,~~
- 13 ~~which calculate their current price per share pursuant~~
- 14 ~~to Rule 2a-7 (17 Code of Federal Regulations section~~
- 15 ~~270.2a-7) promulgated under such act.~~
- 16 ~~(c) Furthermore, the State shall not acquire any~~
- 17 ~~investment or enter into any agreement in connection with the~~
- 18 ~~acquisition of any investment or related to any existing~~
- 19 ~~investment held by the State, which would require or may in the~~
- 20 ~~future require any payment by the State, whether unilateral,~~
- 21 ~~reciprocal, or otherwise, such as swap agreements, hedge~~
- 22 ~~agreements, or other similar agreements. For purposes of this~~



1 ~~section, a swap or hedge payment is any payment made by the~~
2 ~~State in consideration or in exchange for a reciprocal payment~~
3 ~~by any person, such as a variable rate payment in exchange for a~~
4 ~~fixed rate payment, a fixed rate payment in exchange for a~~
5 ~~variable rate payment, a payment when a cap or a floor amount is~~
6 ~~exceeded, or other similar payment."]~~

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

9 SECTION 4. 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. Effective July 1, 2112. (HB1179 HD2)

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

