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# A BILL FOR AN ACT

RELATING TO COUNTIES.

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

1           SECTION 1. Section 46-50, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "§46-50 Short term investment of county moneys. (a) The  
4 director of finance of each county may, with the approval of the  
5 legislative body, invest county moneys that are in excess of the  
6 amounts necessary for the meeting of immediate requirements when  
7 in the judgment of the legislative body the action will not  
8 impede or hamper the necessary financial operations of the  
9 county in:

- 10           (1) Bonds or interest-bearing notes or obligations:
- 11                   (A) Of the county;
  - 12                   (B) Of the State;
  - 13                   (C) Of the United States; or
  - 14                   (D) Of agencies of the United States for which the  
15                       full faith and credit of the United States are  
16                       pledged for the payment of principal and  
17                       interest;



- 1           (2) Federal [~~land bank bonds,~~] Farm Credit System notes
- 2                   and bonds;
- 3           (3) [~~Joint stock farm loan bonds,~~] Federal Agricultural
- 4                   Mortgage Corporation notes and bonds;
- 5           (4) Federal Home Loan Bank notes and bonds;
- 6           (5) Federal Home Loan Mortgage Corporation bonds;
- 7           (6) Federal National Mortgage Association notes and bonds;
- 8           (7) 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;
- 11           (8) Tennessee Valley Authority notes and bonds;
- 12           ~~[(8)]~~ (9) Repurchase agreements fully collateralized by any
- 13                   such bonds or securities;
- 14           ~~[(9)]~~ (10) [~~Bank~~] Federally-insured savings accounts;
- 15           ~~[(10)]~~ (11) Time certificates of deposit;
- 16           ~~[(11)]~~ (12) Certificates of deposit open account;
- 17           ~~[(12)]~~ (13) Bonds of any improvement district of any county
- 18                   of the State;
- 19           ~~[(13)]~~ (14) Bank, savings and loan association, and financial
- 20                   services loan company repurchase agreements;
- 21           ~~[(14)]~~ (15) Student loan resource securities including:



- 1 (A) Student loan auction rate securities;
- 2 (B) Student loan asset-backed notes;
- 3 (C) Student loan program revenue notes and bonds; and
- 4 (D) Securities issued pursuant to Rule 144A of the
- 5 Securities Act of 1933, including any private
- 6 placement issues;
- 7 issued with either bond insurance or
- 8 overcollateralization guaranteed by the United States
- 9 Department of Education; provided all insurers
- 10 maintain a triple-A rating by Standard & Poor's,
- 11 Moody's, Duff & Phelps, Fitch, or any other major
- 12 national securities rating agency;
- 13 [~~15~~] (16) Commercial paper with an A1/P1 or equivalent
- 14 rating by any national securities rating service;
- 15 [~~and~~]
- 16 [~~16~~] (17) Bankers' acceptances with an A1/P1 or equivalent
- 17 rating by any national securities rating service; and
- 18 (18) 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 rates as first tier securities by



1           a nationally recognized statistical rating  
2           organization as provided in title 17 Code of Federal  
3           Regulations section 270.2a-7;  
4 provided the investments are due to mature not more than five  
5 years from the date of investment. The income derived therefrom  
6 shall be deposited in the fund or funds that the legislative  
7 body shall direct; provided that if any money invested under  
8 this section belongs to any waterworks fund, then any income  
9 derived therefrom shall be paid into and credited to the fund.

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

20           (1) Invest solely in:



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



# H.B. NO. 1442

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

7        SECTION 2. Statutory material to be repealed is bracketed  
 8        and stricken. New statutory material is underscored.

9        SECTION 3. This Act shall take effect upon its approval.

10

INTRODUCED BY:



BY REQUEST

JAN 20 2016



# H.B. NO. 1642

**Report Title:**

HSAC Package; County Administration; County Moneys; Short-Term Investment

**Description:**

Conforms the counties' authority to make short-term investments to the state director of finance's authority to make such investments.

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

