

S.B. NO. 939

JAN 25 2017

A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 SECTION 1. The purpose of this Act is to update and
2 clarify pertinent sections of the statutes relating to the
3 investment and funds management functions of the department of
4 budget and finance.

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

7 "(a) The director of finance may invest any moneys of the
8 State which in the director's judgment are in excess of the
9 amounts necessary for meeting the immediate requirements of the
10 State and where in the director's judgment the action will not
11 impede or hamper the necessary financial operations of the State
12 in:

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

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

17 (B) Of the United States;

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- 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 bonds;
- 9 (6) Federal National Mortgage Association notes and bonds;
- 10 ~~[-(7) Student Loan Marketing Association notes and bonds;~~
- 11 ~~-(8)]~~ (7) Tennessee Valley Authority notes and bonds;
- 12 ~~[-(9)]~~ (8) Securities of a mutual fund whose portfolio is
13 limited to bonds or securities issued or guaranteed by
14 the United States or an agency thereof or repurchase
15 agreements fully collateralized by any such bonds or
16 securities;
- 17 ~~[-(10)]~~ (9) Securities of a money market mutual fund that is
18 rated AAA, or its equivalent, by a nationally
19 recognized rating agency or whose portfolio consists
20 of securities that are rated as first tier securities
21 by a nationally recognized statistical rating

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1 organization as provided in 17 Code of Federal
2 Regulations section 270.2a-7;
3 ~~[(11)]~~ (10) Federally insured savings accounts;
4 ~~[(12)]~~ (11) Time certificates of deposit;
5 ~~[(13)]~~ (12) Certificates of deposit open account;
6 ~~[(14)]~~ (13) Repurchase agreements with federally insured
7 banks, savings and loan associations, and financial
8 services 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; issued with either bond~~
16 ~~insurance or overcollateralization guaranteed by~~
17 ~~the United States Department of Education;~~
18 ~~provided all insurers maintain a triple A rating~~
19 ~~by Standard & Poor's, Moody's, Duff & Phelps,~~
20 ~~Fitch, or any other major national securities~~
21 ~~rating agency;~~

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1 ~~(16)~~] (14) Commercial paper with an A1/P1 or equivalent
2 rating by any national securities rating service; and
3 ~~[(17)]~~ (15) 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 the 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 income earned from moneys invested by the general funds,
11 special funds, bond funds, and trust and agency funds on an
12 investment pool basis shall be paid into and credited to the
13 respective funds based on the contribution of moneys into the
14 investment pool by each fund. As used in this section,
15 "investment pool" means the aggregate of state treasury moneys
16 that are maintained in the custody of the director of finance
17 for investment and reinvestment without regard to fund
18 designation."

19 SECTION 3. Section 40-32, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "§40-32 Payments by ~~Honolulu~~ public accountants. Every
22 public accountant collecting or receiving revenue or other

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1 moneys [~~in Honolulu~~] on behalf of the State shall pay weekly, or
2 at such times as may be otherwise specially appointed, into the
3 treasury all sums of money collected or received by the public
4 accountant on account of the revenue or otherwise."

5 SECTION 4. Section 40-33, Hawaii Revised Statutes, is
6 repealed.

7 [~~"§40-33 By accountants out of Honolulu. Every public
8 accountant collecting or receiving revenue or other moneys out
9 of Honolulu shall transmit or pay monthly, or at such times as
10 may be otherwise specially appointed, into the treasury all sums
11 of money collected or otherwise received by the public
12 accountant on account of the revenue or otherwise."~~]

13 SECTION 5. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 6. This Act, upon its approval, shall take effect
16 on July 1, 2017.

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INTRODUCED BY: 

19

BY REQUEST

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Report Title:

Investment and Deposit of State Funds

Description:

Updates statute sections relating to the investment and deposit of state funds.

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

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO STATE FUNDS.

PURPOSE: To update and clarify sections in the statutes relating to investment and deposit functions of the Department of Budget and Finance.

MEANS: Amend sections 36-21(a) and 40-32, Hawaii Revised Statutes (HRS), and repeal section 40-33, HRS.

JUSTIFICATION: Amend section 36-21(a), "Short-term investment of state moneys", to repeal paragraph (7), as the Student Loan Marketing Association "Sallie Mae" is no longer a Government-Sponsored Enterprise authorized investment type and paragraph (15), as there no longer exists a market for student loan auction rate securities and the Duff & Phelps rating agency no longer exists.

Amend section 40-32, "Payments by Honolulu accountants", to make depositing any receipts at least weekly, applicable to all islands and repeal section 40-33, "By accountants out of Honolulu", since all agencies deposit their own receipts directly into the bank currently. It is beneficial to the State to have all receipts deposited into the bank as soon as possible.

Impact on the public: No direct impact. Indirectly will benefit government operations by clarifying sections.

Impact on the department and other agencies:
Increases efficiency of operations by clarifying sections on authorized investments for the Department of Budget and Finance; and clarifying deposit process for all state agencies.

GENERAL FUNDS: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF-115.

OTHER AFFECTED
AGENCIES: Department of Taxation.

EFFECTIVE DATE: July 1, 2017.