
A BILL FOR AN ACT

RELATING TO MANAGEMENT OF STATE FUNDS.

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

1 SECTION 1. The legislature finds that the need to support
2 agriculture in Hawaii has become critical following the recent
3 natural disasters that have adversely affected farms and other
4 agricultural enterprises.

5 The legislature further finds that one method to support
6 agriculture is through the linked investment concept. Linked
7 investments began in Iowa in 1986 as a loan program to support
8 horticultural and alternative crops. It has successfully helped
9 to diversify Iowa's agricultural-based economy and been expanded
10 to assist women- and minority-owned small businesses, and to
11 increase employment opportunities for rural communities facing a
12 business closure, traditional livestock producers, and
13 businesses that add value through the processing of agricultural
14 commodities.

15 Under a linked investment program for agriculture, a person
16 or enterprise proposing to engage in an agricultural enterprise
17 applies to a lending institution, which will evaluate the



1 proposal to qualify the borrower. The lending institution,
2 after evaluating the proposal and determining that the proposed
3 business is a sound viable proposal, will certify the applicant
4 as an eligible borrower under the linked investment program.
5 The institution will then prepare a linked investment loan
6 package and submit it to the director of finance. If the
7 director accepts the loan package, the director places a
8 certificate of deposit for the loan amount with the lending
9 institution.

10 The purpose of this Act is to expand the availability of
11 agricultural loans by committing not more than \$5,000,000 of
12 certain moneys available in the state treasury for the creation
13 of linked investments through agreements with eligible lending
14 institutions.

15 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended
16 by adding a new section to part II to be appropriately
17 designated and to read as follows:

18 "§36- Linked investments. (a) An eligible lending
19 institution shall accept and review applications for loans,
20 determine applicants that are eligible borrowers, and prepare



1 linked investment loan packages in a form and manner prescribed
2 by the director of finance.

3 (b) A loan package shall verify the amount of the loan
4 requested, the purpose of the loan, and the eligible lending
5 institution's certification that the applicant is an eligible
6 borrower.

7 (c) The director of finance may consider the availability
8 of state funds and accept or reject a linked investment loan
9 package.

10 (d) Upon acceptance of a linked investment loan package,
11 the director of finance, pursuant to section 36-21, shall place
12 a certificate of deposit for the loan amount with an eligible
13 lending institution; provided that the eligible lending
14 institution agrees to lend not more than ninety per cent of the
15 value of the certificate of deposit to an eligible borrower at a
16 rate not more than the prime rate or per cent a year,
17 whichever is less; provided further that the certificate of
18 deposit shall:

19 (1) Earn a rate of interest of not less than the current
20 market rate;

21 (2) Not be subject to a penalty for early withdrawal;



1 (3) Have a maturity of one year for the initial period
2 with an option for renewal with the approval of the
3 director of finance for five additional one-year
4 periods; and

5 (4) Not be considered security for a linked investment
6 loan.

7 (e) The director of finance shall not invest in linked
8 investments more than \$5,000,000 of moneys available in the
9 state treasury for deposit under section 38-2.

10 (f) Each loan made through a linked investment shall not
11 exceed \$ and shall not be used for the purchase of
12 real property.

13 (g) As used in this section:

14 "Eligible borrower" means an entity, individual or
15 corporation, who:

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

19 (2) Is certified as an eligible borrower by an eligible
20 lending institution.



1 "Eligible lending institution" means any federally insured
2 national or state bank, savings and loan association, financial
3 services loan company, or federal or state credit union insured
4 by the national credit union administration, that is authorized
5 to do business in this State and that has entered into an
6 agreement with the director of finance to receive linked
7 investments.

8 "Linked investment" means a certificate of deposit placed
9 with an eligible lending institution.

10 "Real property" means lands, structures, and interests
11 therein, and natural resources including water, minerals, and
12 all such things connected with land, including lands under water
13 and riparian rights, space rights, air rights, and any and all
14 other things and rights usually included within the term. "Real
15 property" also means any and all interests in property less than
16 fee title, such as leasehold interests, easements, incorporeal
17 hereditaments, and every estate, interest, or right, legal or
18 equitable, including terms for years and liens thereon by way of
19 judgments, mortgages, or otherwise."

20 SECTION 3. Section 36-21, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) The director of finance may invest any moneys of the
2 State which in the director's judgment are in excess of the
3 amounts necessary for meeting the immediate requirements of the
4 State and where in the director's judgment the action will not
5 impede or hamper the necessary financial operations of the State
6 in:

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

8 (A) Of the State (including state director of
9 finance's warrant notes issued pursuant to
10 chapter 40);

11 (B) Of the United States; and

12 (C) For which the faith and credit of the United
13 States are pledged for the payment of principal
14 and interest;

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

16 (3) Federal Agricultural Mortgage Corporation notes and
17 bonds;

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

19 (5) Federal Home Loan Mortgage Corporation bonds;

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

21 (7) Tennessee Valley Authority notes and bonds;



- 1 (8) Securities of a mutual fund whose portfolio is limited
2 to bonds or securities issued or guaranteed by the
3 United States or an agency thereof or repurchase
4 agreements fully collateralized by any such bonds or
5 securities;
- 6 (9) Securities of a money market mutual fund that is rated
7 AAA, or its equivalent, by a nationally recognized
8 rating agency or whose portfolio consists of
9 securities that are rated as first tier securities by
10 a nationally recognized statistical rating
11 organization as provided in title 17 Code of Federal
12 Regulations section 270.2a-7;
- 13 (10) Federally insured savings accounts;
- 14 (11) Time certificates of deposit;
- 15 (12) Certificates of deposit open account;
- 16 (13) Repurchase agreements with federally insured banks,
17 savings and loan associations, and financial services
18 loan companies;
- 19 (14) Commercial paper with an A1/P1 or equivalent rating by
20 any national securities rating service; [and]



1 (15) Bankers' acceptances with an A1/P1 or equivalent
2 rating by any national securities rating service; and
3 (16) Certificates of deposit related to linked investments
4 pursuant to section 36- ;
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 4. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so
21 much thereof as may be necessary for fiscal year 2019-2020 and



1 the same sum or so much thereof as may be necessary for fiscal
2 year 2020-2021 for the department of budget and finance to hire
3 one full-time equivalent (1.0 FTE) to administer the new linked
4 investment program.

5 The sums appropriated shall be expended by the department
6 of budget and finance for the purposes of this Act.

7 SECTION 5. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 6. This Act shall take effect on July 1, 2150.



Report Title:

Department of Budget and Finance; Linked Investment Program;
Agricultural Loans; Financial Institutions; Appropriation

Description:

Establishes linked investments to provide loan funds for agriculture and authorizes the State to invest in linked investments. Appropriates funds to the Department of Budget and Finance to hire one position to administer the linked investment program. Takes effect 7/1/2150. (SD1)

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