
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. Section 514B-149, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) All funds except the amount in excess of the
4 estimated replacement reserves:

5 (1) [~~All funds collected~~] Collected by an association, or
6 by a managing agent for any association, shall be:

7 (A) Deposited in a financial institution, including a
8 federal or community credit union, located in the
9 State, pursuant to a resolution adopted by the
10 board, and whose deposits are insured by an
11 agency of the United States government;

12 (B) Held by a corporation authorized to do business
13 under article 8 of chapter 412;

14 (C) Held by the United States Treasury;

15 (D) Purchased in the name of and held for the benefit
16 of the association through a securities broker
17 that is registered with the Securities and



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1 Exchange Commission, that has an office in the
2 State, and the accounts of which are held by
3 member firms of the New York Stock Exchange or
4 National Association of Securities Dealers and
5 insured by the Securities Insurance Protection
6 Corporation; or

7 (E) Placed through a federally insured financial
8 institution located in the State for investment
9 in certificates of deposit issued through the
10 Certificate of Deposit Account Registry Service
11 in federally insured financial institutions
12 located in the United States.

13 (2) [~~All funds collected~~] Collected by an association, or
14 by a managing agent for any association, shall be
15 invested only in:

16 (A) Deposits, investment certificates, savings
17 accounts, and certificates of deposit;

18 (B) Obligations of the United States government, the
19 State of Hawaii, or their respective agencies;
20 provided that those obligations shall have stated
21 maturity dates no more than ten years after the



1 purchase date unless approved otherwise by a
2 majority vote of the unit owners at an annual or
3 special meeting of the association or by written
4 consent of a majority of the unit owners;

5 (C) Mutual funds comprised solely of investments in
6 the obligations of the United States government,
7 the State of Hawaii, or their respective
8 agencies; government money market funds; or
9 shares or units of another mutual fund satisfying
10 the requirements of this subparagraph; provided
11 that those obligations shall have stated maturity
12 dates no more than ten years after the purchase
13 date unless approved otherwise by a majority vote
14 of the unit owners at an annual or special
15 meeting of the association or by written consent
16 of a majority of the unit owners; or

17 (D) Certificates of deposit issued through the
18 Certificate of Deposit Account Registry Service
19 in an amount at least equal in their market
20 value, but not to exceed their par value, to the
21 amount of the deposit with the depository;



1 provided that before any investment longer than one year is made
2 by an association, the board must approve the action; and
3 provided further that the board must clearly disclose to owners
4 all investments longer than one year at each year's association
5 annual meeting.

6 Records of the deposits and disbursements shall be
7 disclosed to the commission upon request. All funds collected
8 by an association shall only be disbursed by employees of the
9 association under the supervision of the association's board.
10 All funds collected by a managing agent from an association
11 shall be held in a client trust fund account and shall be
12 disbursed only by the managing agent or the managing agent's
13 employees under the supervision of the association's board.

14 The amount in excess of the estimated replacement reserves,
15 if any, may be invested in obligations that are rated 1, 2, or 3
16 by the Securities Valuation Office of the National Association
17 of Insurance Commissioners or have an equivalent of a Securities
18 Valuation Office 1, 2, or 3 rating (or, in the absence of a 1,
19 2, or 3 rating or equivalent rating, the issuer has outstanding
20 obligations with a Securities Valuation Office 1, 2, or 3



1 equivalent rating) by a nationally-recognized statistical rating
2 organization recognized by the Securities Valuation Office.

3 For purposes of this subsection "amount in excess of the
4 estimated replacement reserves" means the total replacement
5 reserves of the association under section 514B-148(a) (3), plus
6 the projected collections of the association designated to fund
7 the estimated replacement reserves for the period specified in
8 the reserve study, plus projected collections of the association
9 for the period specified in the reserve study that are
10 unencumbered, minus the estimated replacement reserves amount
11 under section 514B-148(a) (4)."

12 SECTION 2. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

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

15

INTRODUCED BY: _____



JAN 18 2024



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Report Title:

Condominiums; Replacement Reserves; Excess Amounts

Description:

Authorizes condominiums to invest funds in excess of their estimated replacement reserves into medium grade or high grade obligations, as specified by the Securities Valuation Office.

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

