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S. B. NO. 1665-70

A Bill for an Act Relating to Management of Government Finances.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 38, Hawaii Revised Statutes, is amended to read as follows:

“CHAPTER 38

DEPOSITS OF PUBLIC FUNDS

Section 38-1. Definitions. As used in this chapter, unless the context otherwise indicate:

- (1) Comptroller means the State comptroller.
- (2) Depository includes any national or State bank or savings and loan association insured by the federal savings and loan insurance corporation authorized to do business in this State.
- (3) Director means the State director of finance.

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Section 38-2. Authorized; conditions. All moneys in the State treasury may be deposited by the director to the credit of the State in any depository which the director, with the approval of the governor, may select, and any sums so deposited shall be deemed to be in the State treasury; provided that the depository in which the money is deposited furnish security as hereinafter provided; provided that in selecting a depository the class of security offered shall be considered as the basis of selection and due regard shall be given to a depository doing business in the State, or parts thereof, where the disbursements of public money are or may be made; provided that no more than 60 per cent of the aggregate amount of moneys of the State available for deposit and on deposit shall be deposited in any one depository. In case of loan fund money for which there is no immediate need, or expenditures from which would not be made for at least three months, the director may place these funds on time deposit on such terms and at such rates of interest as may be allowed by a depository to other depositors. All deposits of money, except time deposits, shall be paid upon demand on checks signed by the director and countersigned by the comptroller, or by the payment of a certificate of deposit issued by the depository, which certificate shall be endorsed by the payee named therein, as well as by the comptroller. Each depository shall at the end of every month render to the director a statement, in duplicate, for each of the funds of the State, showing the daily balances on open commercial account which were held by it during the month. One copy of the statement shall be filed by the director with the comptroller. The director shall annually, as of July 1, furnish each depository with a statement, certified by the comptroller, showing the amount and description of the securities on deposit with him by the depository to secure the deposits of the State. The duly authorized representatives of any depository shall at all times during office hours have access to the securities deposited for the purpose of examining the same and removing the coupons that may have matured, the examination to be made in the presence of the director or his representative.

Section 38-3. Securities for protection of funds deposited. For the protection of funds deposited by the director under this chapter, the following securities shall be deposited with the director, or with banks in the continental United States, as the director may select, to be held therein for safekeeping subject to the order of the director, any other provisions of the laws of the State to the contrary notwithstanding:

- (1) Bonds, notes, debentures or other evidences of indebtedness of the State or of any county of the State, for which the payment of the interest and principal is a direct obligation of the State or the county, as the case may be, in an amount at least equal in their par value to the amount of the deposit with the depository; or
- (2) Bonds, notes, debentures or other evidences of indebtedness of agencies of the State or of agencies of any county of the State, for which the payment of the interest and principal is from the revenues of the issuing agency, in an amount at least equal in their market value, but

not to exceed their par value, to the amount of the deposit with the depository; or

- (3) Bonds, notes, debentures or other evidences of indebtedness of any improvement district or frontage improvement of any county of the State, for which the payment of the interest and principal is from the assessments made for the improvement, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; or
- (4) Bonds, notes, bills or certificates of indebtedness of the United States or of agencies of the United States, for which the payment of the interest and principal is a direct obligation of the United States, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; or
- (5) Bonds, notes or debentures of agencies of the United States, in an amount at least equal to 95 per cent of their market value, but not to exceed their par value, to the amount of the deposit with the depository; or
- (6) Warrants or warrant notes of the State in an amount at least equal in their face value to the amount of the deposit with the depository; or
- (7) Bonds, notes, debentures or other evidences of indebtedness of any other state of the United States, for which the payment of the interest and principal is a direct obligation of such state, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; or
- (8) Bonds, notes, debentures or other evidences of indebtedness of any city or of any county in the continental United States, for which the payment of the interest and principal is a direct obligation of the city or county, as the case may be, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; or
- (9) Other safe bonds, notes, debentures or other evidences of indebtedness as may be approved by the governor and the director, in an amount and value to the amount of the deposit with the depository as is determined by the director.
- (10) Residential mortgage loans insured or guaranteed by the United States to the maximum extent permissible under appropriate federal regulations; provided that the director shall require mortgage loans representing no less than \$120 of the unpaid principal for each \$100 of deposits.

Security shall not be required for that portion of any deposit that is insured under any law of the United States.

Securities deposited under this section may be withdrawn from time to time; provided that the required amount of securities shall at all times be kept

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on deposit. The director may at any time require additional securities to be deposited under this section.

In the event that the depository shall fail to pay such deposits, or any part thereof, upon presentation of a check or a certificate of deposit, then the director shall forthwith convert the securities deposited under this section into money for and on behalf of the State; provided that no such securities shall be sold except at public auction, after giving at least ten days' notice by publication in some newspaper of general circulation in the State.

Section 38-4. Provisions of depository contracts. Any acceptance by a depository of treasury moneys shall constitute an acceptance of the provisions of sections 38-2 and 38-3, and those provisions shall be deemed a part of and incorporated into the contract of deposit without any necessity for specific mention thereof. The director shall file with the comptroller a copy of any formal written contract of deposit which may be entered into.

Section 38-5. Indemnity bond from depository. The director with the approval of the governor, shall, if in his judgment it appears necessary for the security of the State, require the depository to give indemnity bonds, the sureties on which shall not be interested as stockholders in the depository, to be approved by the governor and director to secure the State against the loss of any depreciation in value that may occur in the bonds held by him as security for the safekeeping and prompt payment of the money of the State in the depository.

Section 38-6. Certificates of deposit, deposit receipts. At the time of depositing State money in any depository, the director shall take certificates of deposit payable to the director in such sums as he deems advisable, or a receipt showing that the deposit is subject to check. The certificates of deposit, receipts, and all balances of these deposits shall be deemed and counted as cash.

Section 38-7. Responsibility of director. The director shall not be responsible for any moneys deposited in a depository under this chapter, but the State through its director shall be chargeable with the safekeeping of the bonds deposited with him as security for deposits of State money, and of the proceeds of any sale of the bonds made under this chapter.

Section 38-8. Additional responsibility. The State through its director shall be chargeable with the safekeeping of the securities deposited with him by the treasurers of the several counties under section 46-52.

Section 38-9. Interest. If any money deposited by the director under this chapter belongs to any special fund, then any interest received on the same shall be paid into and credited to the special fund.

Section 38-10. Interest on loan funds. All unexpended balances of State loan funds which have been allotted to the several counties for local improvements, and also all State loan funds which are so allotted, shall be deposited by the director in a depository in separate accounts. All interest received from any depository, on account of the separate deposits, shall be credited to the respective counties."

SECTION 2. This Act shall take effect upon its approval.
(Approved June 5, 1970.)