

ACT 78

S.B. NO. 3175

A Bill for an Act Relating to Deposit and Investment of State Funds.

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

SECTION 1. Section 36-21, Hawaii Revised Statutes, is amended to read as follows:

“§36-21 Short-term investment of state moneys. The director of finance may invest any moneys of the State which in the director’s judgment are in excess of the amounts necessary for meeting the immediate requirements of the State and where in the director’s judgment the action will not impede or hamper the necessary financial operations of the State in any bonds or interest-bearing notes or obligations

ACT 78

of the State (including state director of finance's warrant notes issued pursuant to chapter 40), or of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, or in federal land bank bonds or joint stock farm loan bonds, or in federally insured savings accounts, or in time certificates of deposit, or in certificates of deposit open account, or in repurchase agreements with federally insured banks and savings and loan associations [authorized to do business in the State]; provided that the investments are due to mature not more than five years from the date of investment. Income derived therefrom shall be a realization of the general fund."

SECTION 2. Section 38-1, Hawaii Revised Statutes, is amended by amending the definition of "depository" to read as follows:

"Depository includes any federally insured 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]."

SECTION 3. Section 38-2, Hawaii Revised Statutes, is amended to read as follows:

"§38-2 Authorized; conditions. (a) 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, pursuant to this section, 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]. 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 be made¹; provided that no].

(b) No more than [sixty] forty per cent of the aggregate amount of moneys of the State available for deposit and on deposit [shall] in the state treasury may be deposited in [any one depository.] depositories without the State.

(c) No more than sixty per cent of the aggregate amount of moneys of the State available for deposit and on deposit in the state treasury may be deposited in any one depository; provided that if the yield offered by any one depository in the State is greater than the yield offered by other depositories in the State, then, consistent with the safety and liquidity of such moneys, more than sixty per cent of the aggregate amount of moneys available for deposit and on deposit in the stated treasury may be deposited in such depository within the State offering a higher yield.

(d) The director shall consider the beneficial effects to the State of using depositories within the State, as well as the safety and liquidity of the sums to be deposited in the depository and the yield offered by the depository prior to the selection of the depository.

(e) 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.

(f) 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 the director 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 by the depository to secure the deposits of the State 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 the director's representative."

SECTION 4. Section 38-3, Hawaii Revised Statutes, is amended to read as follows:

"§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, or with financial institutions with trust powers authorized to do business in the State, 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 ninety-five 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 assets on the books of the depository which are eligible to secure advances from the Federal Reserve Banks under regulations of the Federal Reserve Board, 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; provided that not more than fifty per cent of the deposits held by a depository may be secured by assets of this class.

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 on deposit. The director [may] at any time may 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 a newspaper of general circulation in the State."

SECTION 5. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 6. If any provision of this Act, or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end, the provisions of this Act are severable.

SECTION 7. This Act shall take effect upon its approval.

(Approved May 14, 1988.)

Note

1. So in original.