

JAN 20 2017

A BILL FOR AN ACT

RELATING TO COUNTIES.

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

1 SECTION 1. Section 46-50, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§46-50 Short term investment of county moneys. (a) The
4 director of finance of each county may, with the approval of the
5 legislative body, invest county moneys that are in excess of the
6 amounts necessary for the meeting of immediate requirements when
7 in the judgment of the legislative body the action will not
8 impede or hamper the necessary financial operations of the
9 county in:

- 10 (1) Bonds or interest-bearing notes or obligations:
- 11 (A) Of the county;
 - 12 (B) Of the State;
 - 13 (C) Of the United States; or
 - 14 (D) Of agencies of the United States for which the
15 full faith and credit of the United States are
16 pledged for the payment of principal and
17 interest;



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- 1 (2) Federal [~~land bank~~] Farm Credit System notes and
- 2 bonds;
- 3 (3) [~~Joint stock farm loan bonds;~~] Federal Agricultural
- 4 Mortgage Corporation notes and bonds;
- 5 (4) Federal Home Loan Bank notes and bonds;
- 6 (5) Federal Home Loan Mortgage Corporation bonds;
- 7 (6) Federal National Mortgage Association notes and bonds;
- 8 (7) Securities of a mutual fund whose portfolio is limited
- 9 to bonds or securities issued or guaranteed by the
- 10 United States or an agency thereof;
- 11 (8) Tennessee Valley Authority notes and bonds;
- 12 [~~8~~] (9) Repurchase agreements fully collateralized by any
- 13 such bonds or securities;
- 14 [~~9~~] (10) [~~Bank~~] Federally insured savings accounts;
- 15 [~~10~~] (11) Time certificates of deposit;
- 16 [~~11~~] (12) Certificates of deposit open account;
- 17 [~~12~~] (13) Bonds of any improvement district of any county
- 18 of the State; provided that the bonds are of
- 19 investment grade or supported by the general
- 20 obligation pledge of the county in which the
- 21 improvement district is located;



1 [~~(13)~~] (14) Bank, savings and loan association, and
2 financial services loan company repurchase agreements;
3 [~~(14)~~] (15) Student loan resource securities including:
4 (A) Student loan auction rate securities;
5 (B) Student loan asset-backed notes;
6 (C) Student loan program revenue notes and bonds; and
7 (D) Securities issued pursuant to Rule 144A of the
8 Securities Act of 1933, including any private
9 placement issues;
10 issued with either bond insurance or
11 overcollateralization guaranteed by the United States
12 Department of Education; provided all insurers
13 maintain a triple-A rating by Standard & Poor's,
14 Moody's, Duff & Phelps, Fitch, or any other major
15 national securities rating agency;
16 [~~(15)~~] (16) Commercial paper with an A1/P1 or equivalent
17 rating by any national securities rating service; and
18 [~~(16)~~] (17) Bankers' acceptances with an A1/P1 or equivalent
19 rating by any national securities rating service; and
20 (18) Securities of a money market mutual fund that is rated
21 AAA, or its equivalent, by a nationally recognized



1 rating agency or whose portfolio consists of
2 securities that are rated as first tier securities by
3 a nationally recognized statistical rating
4 organization as provided in title 17 Code of Federal
5 Regulations section 270.2a-7;

6 provided the investments are due to mature not more than five
7 years from the date of investment. The income derived therefrom
8 shall be deposited in the fund or funds that the legislative
9 body shall direct; provided that if any money invested under
10 this section belongs to any waterworks fund, then any income
11 derived therefrom shall be paid into and credited to the fund.

12 (b) Except with respect to an early withdrawal penalty on
13 an investment permitted by this section, the amount of such
14 penalty being mutually agreed at the time of acquisition of such
15 investment, no investment permitted by this section shall
16 require or may in the future require payments by the county,
17 whether unilateral, reciprocal, or otherwise, including margin
18 payments, or shall bear interest at a variable rate which causes
19 or may cause the market price of such investment to fluctuate;
20 provided that such limitation shall not apply to money market
21 mutual funds which:



- 1 (1) Invest solely in:
- 2 (A) Direct and general obligations of the United
- 3 States of America; or
- 4 (B) Obligations of any agency or instrumentality of
- 5 the United States of America, the payment of the
- 6 principal and interest on which are
- 7 unconditionally guaranteed by the full faith and
- 8 credit of the United States of America;
- 9 (2) Are rated at the time of purchase "AAAm-G" or its
- 10 equivalent by Standard & Poor's Ratings Group; and
- 11 (3) Are open-end management investment companies regulated
- 12 under the Investment Company Act of 1940, as amended,
- 13 which calculate their current price per share pursuant
- 14 to Rule 2a-7 (title 17 Code of Federal Regulations
- 15 section 270.2a-7) promulgated under such act.
- 16 (c) Furthermore, a county shall not acquire any investment
- 17 or enter into any agreement in connection with the acquisition
- 18 of any investment or related to any existing investment held by
- 19 the county, which would require or may in the future require any
- 20 payment by the county, whether unilateral, reciprocal, or
- 21 otherwise, such as swap agreements, hedge agreements, or other



1 similar agreements. For purposes of this subsection, payment
 2 for a swap agreement or hedge agreement means any payment made
 3 by the county in consideration or in exchange for a reciprocal
 4 payment by any person, including a variable rate payment in
 5 exchange for a fixed rate payment, a fixed rate payment in
 6 exchange for a variable rate payment, a payment when a cap or a
 7 floor amount is exceeded, or other similar payment."

8 SECTION 2. Statutory material to be repealed is bracketed
 9 and stricken. New statutory material is underscored.

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

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INTRODUCED BY:

John Gish

Paul E. Baker

~~John M. ...~~
John M. ...
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Randy de Bek

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Report Title:

County Administration; County Moneys; Short Term Investment

Description:

Allows the counties to make short term investments with similar authority as the state director of finance. Requires counties' investments in bonds of any improvement district to be of investment grade or supported by the general obligation pledge of the county in which the improvement district is located.

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

