
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, employment
11 opportunities for rural communities facing a business closure,
12 traditional livestock producers, and businesses that add value
13 through the processing of agricultural commodities.

14 Under a linked investment program for agriculture, a person
15 or enterprise proposing to engage in an agricultural enterprise
16 applies to a lending institution, which will evaluate the
17 proposal and qualify the borrower. The lending institution,



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

9 The purpose of this Act is to expand the availability of
10 agricultural loans by committing no more than ten per cent of
11 excess state moneys for the creation of linked investments
12 through agreements with eligible lending institutions.

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

16 "§36- Linked investments. (a) An eligible lending
17 institution shall accept and review applications for loans,
18 determine applicants that are eligible borrowers, and prepare
19 linked investment loan packages in a form and manner prescribed
20 by the director of finance.



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

5 (c) The director of finance shall consider the
6 availability of state funds and accept or reject a linked
7 investment loan package.

8 (d) Upon acceptance of a linked investment loan package,
9 the director of finance, pursuant to section 36-21, shall place
10 a certificate of deposit for the loan amount with an eligible
11 lending institution.

12 (e) The director of finance shall not invest in linked
13 investments more than ten per cent of moneys available in the
14 state treasury for deposit under section 38-2.

15 (f) Each loan made through a linked investment shall not
16 exceed \$ _____ and shall not be used for the purchase of real
17 property.

18 (g) As used in this section:

19 "Eligible borrower" means an entity, individual or
20 corporation, who:



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

4 (2) Is certified as an eligible borrower by an eligible
5 lending institution.

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

13 "Linked investment" means a certificate of deposit placed
14 with an eligible lending institution; provided that the eligible
15 lending institution agrees to lend not more than ninety per cent
16 of the value of the certificate of deposit to an eligible
17 borrower at a rate not more than the prime rate or per
18 cent a year, whichever is less; and provided further that the
19 certificate of deposit shall:

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



- 1 (2) Not be subject to a penalty for early withdrawal; and
2 (3) Have a maturity of one year for the initial period
3 with an option for renewal for eight additional one-
4 year periods.

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

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

17 "(a) The director of finance may invest any moneys of the
18 State which in the director's judgment are in excess of the
19 amounts necessary for meeting the immediate requirements of the
20 State and where in the director's judgment the action will not



1 impede or hamper the necessary financial operations of the State
2 in:

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

4 (A) Of the State (including state director of
5 finance's warrant notes issued pursuant to
6 chapter 40);

7 (B) Of the United States;

8 (C) For which the faith and credit of the United
9 States are pledged for the payment of principal
10 and interest;

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

12 (3) Federal Agricultural Mortgage Corporation notes and
13 bonds;

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

15 (5) Federal Home Loan Mortgage Corporation bonds;

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

17 (7) Tennessee Valley Authority notes and bonds;

18 (8) Securities of a mutual fund whose portfolio is limited
19 to bonds or securities issued or guaranteed by the
20 United States or an agency thereof or repurchase



- 1 agreements fully collateralized by any such bonds or
2 securities;
- 3 (9) Securities of a money market mutual fund that is rated
4 AAA, or its equivalent, by a nationally recognized
5 rating agency or whose portfolio consists of
6 securities that are rated as first tier securities by
7 a nationally recognized statistical rating
8 organization as provided in 17 Code of Federal
9 Regulations section 270.2a-7;
- 10 (10) Federally insured savings accounts;
- 11 (11) Time certificates of deposit;
- 12 (12) Certificates of deposit open account;
- 13 (13) Repurchase agreements with federally insured banks,
14 savings and loan associations, and financial services
15 loan companies;
- 16 (14) Commercial paper with an A1/P1 or equivalent rating by
17 any national securities rating service; [~~and~~]
- 18 (15) Bankers' acceptances with an A1/P1 or equivalent
19 rating by any national securities rating service; and
- 20 (16) Linked investments pursuant to section 36- ;



1 provided that for authorized investments with stated maturity
 2 dates, the investment, as well as the underlying securities of
 3 those investments, are due to mature not more than five years
 4 from the date of investment. Income derived from those
 5 investments shall be a realization of the general fund; provided
 6 that income earned from moneys invested by the general funds,
 7 special funds, bond funds, and trust and agency funds on an
 8 investment pool basis shall be paid into and credited to the
 9 respective funds based on the contribution of moneys into the
 10 investment pool by each fund. As used in this section,
 11 "investment pool" means the aggregate of state treasury moneys
 12 that are maintained in the custody of the director of finance
 13 for investment and reinvestment without regard to fund
 14 designation."

15 SECTION 4. Statutory material to be repealed is bracketed
 16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect upon its approval.
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H.B. NO. 530

Report Title:

Linked Investments; Agricultural Loans; Financial Institutions

Description:

Establishes linked investments to provide loan funds for agriculture and authorizes the State to invest in linked investments.

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