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# A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1           SECTION 1. Chapter 36, Hawaii Revised Statutes, is amended  
2 by adding a new section to be appropriately designated and to  
3 read as follows:  
4           "§36-    Linked investments. (a) An eligible lending  
5 institution shall accept and review applications for loans,  
6 determine applicants that are eligible borrowers, and prepare  
7 linked investment loan packages in a form and manner prescribed  
8 by the director of finance. The loan package shall include  
9 information on the amount of the loan requested, the purpose of  
10 the loan, and the eligible lending institution's certification  
11 that the applicant is an eligible borrower. The director of  
12 finance shall accept or reject the linked investment loan  
13 package, with consideration given to the availability of state  
14 funds. Upon acceptance of the linked investment loan package,  
15 the director of finance, pursuant to section 36-21, shall place  
16 a certificate of deposit for the loan amount with the eligible  
17 lending institution.



1       (b) The director of finance may invest not more than ten  
2 per cent of moneys available in the state treasury for deposit,  
3 under section 38-2, in linked investments.

4       (c) Loans made through linked investments shall not exceed  
5 \$ \_\_\_\_\_ and shall not be used for the purchase of real property  
6 as defined in section 246-1.

7       (d) As used in this section:

8       "Eligible borrower" means an entity, individual or  
9 corporate, who:

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

13       (2) Is certified as an eligible borrower by an eligible  
14 lending institution.

15       "Eligible lending institution" means any federally insured  
16 national or state bank, savings and loan association, financial  
17 services loan company, or federal or state credit union insured  
18 by the national credit union administration, that is authorized  
19 to do business in this State and that has entered into an  
20 agreement with the director of finance to receive linked  
21 investments.

1       "Linked investment" means a certificate of deposit placed  
2 with an eligible lending institution; provided that the eligible  
3 lending institution agrees to lend not more than ninety per cent  
4 of the value of the certificate of deposit to an eligible  
5 borrower at a rate not more than the prime rate or \_\_\_\_\_ per  
6 cent a year, whichever is less; and provided further that the  
7 certificate of deposit shall:

- 8       (1) Earn a rate of interest of not less than the current  
9       market rate;
- 10       (2) Not be subject to a penalty for early withdrawal; and
- 11       (3) Have a maturity of one year for the initial period  
12       with an option for renewal or until the loan is paid  
13       in full."

14       SECTION 2. Section 36-21, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

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

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



- 1 (A) Of the State (including state director of
- 2 finance's warrant notes issued pursuant to chapter
- 3 40);
- 4 (B) Of the United States;
- 5 (C) For which the faith and credit of the United
- 6 States are pledged for the payment of principal
- 7 and interest;
- 8 (2) Federal Farm Credit System notes and bonds;
- 9 (3) Federal Agricultural Mortgage Corporation notes and
- 10 bonds;
- 11 (4) Federal Home Loan Bank notes and bonds;
- 12 (5) Federal Home Loan Mortgage Corporation bonds;
- 13 (6) Federal National Mortgage Association notes and bonds;
- 14 (7) Student Loan Marketing Association notes and bonds;
- 15 (8) Tennessee Valley Authority notes and bonds;
- 16 (9) Securities of a mutual fund whose portfolio is limited
- 17 to bonds or securities issued or guaranteed by the
- 18 United States or an agency thereof or repurchase
- 19 agreements fully collateralized by any such bonds or
- 20 securities;
- 21 (10) Securities of a money market mutual fund that is rated
- 22 AAA, or its equivalent, by a nationally recognized

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

5 (11) Federally insured savings accounts;

6 (12) Time certificates of deposit;

7 (13) Certificates of deposit open account;

8 (14) Repurchase agreements with federally insured banks,  
9 savings and loan associations, and financial services  
10 loan companies;

11 (15) Student loan resource securities including:

12 (A) Student loan auction rate securities;

13 (B) Student loan asset-backed notes;

14 (C) Student loan program revenue notes and bonds; and

15 (D) Securities issued pursuant to Rule 144A of the  
16 Securities Act of 1933, including any private  
17 placement issues;

18 issued with either bond insurance or  
19 overcollateralization guaranteed by the United States  
20 Department of Education; provided all insurers maintain  
21 a triple-A rating by Standard & Poor's, Moody's, Duff &



1 Phelps, Fitch, or any other major national securities  
2 rating agency;

3 (16) Commercial paper with an A1/P1 or equivalent rating by  
4 any national securities rating service; ~~and~~

5 (17) Bankers' acceptances with an A1/P1 or equivalent rating  
6 by any national securities rating service; and

7 (18) Linked investments under section 36- ;

8 provided that the investments are due to mature not more than  
9 five years from the date of investment. Income derived from  
10 those investments shall be a realization of the general fund;  
11 provided that income earned from moneys invested by the general  
12 funds, special funds, bond funds, and trust and agency funds on  
13 an investment pool basis shall be paid into and credited to the  
14 respective funds based on the contribution of moneys into the  
15 investment pool by each fund. As used in this section,  
16 "investment pool" means the aggregate of state treasury moneys  
17 that are maintained in the custody of the director of finance for  
18 investment and reinvestment without regard to fund designation."

19 SECTION 3. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.

21 SECTION 4. This Act shall take effect on July 1, 2007.



**Report Title:**

Linked Investments; Agricultural Loans

**Description:**

Establishes linked investments to provide loan funds for agriculture. Authorizes the State to invest in linked investments. (HB1662 HD1)

