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# A BILL FOR AN ACT

RELATING TO CORPORATE BONDS.

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

1           SECTION 1. The legislature finds that the state treasury  
2 holds all state funds, and all funds that are in excess of  
3 immediate needs are invested in securities authorized under  
4 section 36-21, Hawaii Revised Statutes. According to a national  
5 investment research company, investment grade corporate bonds  
6 have current average yields of four to six per cent. The  
7 legislature further finds that investment grade corporate bonds  
8 are considered to carry a relatively low credit risk. Providing  
9 more investment securities for the director of finance to  
10 consider and invest in will help increase investment earnings  
11 and make more resources available for state programs and to pay  
12 down obligations.

13           Accordingly, the purpose of this Act is to authorize the  
14 director of finance to invest certain state moneys in short-term  
15 investment grade corporate bonds.

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



1           "(a) The director of finance may invest any moneys of the  
2 State which in the director's judgment are in excess of the  
3 amounts necessary for meeting the immediate requirements of the  
4 State and where in the director's judgment the action will not  
5 impede or hamper the necessary financial operations of the State  
6 in:

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

8                 (A) Of the State (including state director of  
9                         finance's warrant notes issued pursuant to  
10                        chapter 40);

11               (B) Of the United States;

12               (C) For which the faith and credit of the United  
13                         States are pledged for the payment of principal  
14                         and interest;

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

16           (3) Federal Agricultural Mortgage Corporation notes and  
17                 bonds;

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

19           (5) Federal Home Loan Mortgage Corporation bonds;

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

21           (7) Tennessee Valley Authority notes and bonds;



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



1 (15) Bankers' acceptances with an A1/P1 or equivalent  
2 rating by any national securities rating service; and

3 (16) Short-term investment grade corporate bonds with a  
4 minimum rating of AA- or its equivalent;

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

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



**1** SECTION 4. This Act shall take effect upon its approval.



**Report Title:**

Short-term Investment Grade Corporate Bonds; Director of Finance; State Moneys

**Description:**

Authorizes the Director of Finance to invest certain state moneys in short-term investment grade corporate bonds. (CD1)

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

