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DEPARTMENT OF BUDGET AND FINANCE & RESEARCH

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BUDGET & FINANCE

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION

November 12, 1998

FINANCE MEMORANDUM

MEMO NO. 98-01

TO: All Department Heads

FROM: E. I. Anzai  
Director of Finance

SUBJECT: Implementation of State Treasury Investment Pool System

The purpose of this memorandum is to establish policies and procedures for participation in the State Treasury Investment Pool.

Legal Reference

Act 119, Session Laws of Hawaii 1998, authorizes the State Treasury to allocate investment (interest) earnings to the respective general, special, bond and trust funds when these funds are participants of the Treasury investment pool. The investment pool system will centralize all phases of the investment process under the direction of the Director of Finance, thereby pooling the State's cash resources to maximize investment returns. Other departments and agencies will no longer be required to initiate the investment of their appropriated funds.

Background

The Departments of Budget and Finance (DB&F), Accounting and General Services, and Transportation are in the process of developing an investment system that will allocate investment earnings to each appropriation account participating in the investment pool. Investment earnings will be distributed monthly on the basis of the average weighted cash balance of each qualified appropriation account. The Department of Accounting and General Services will provide the average cash balance information from the Financial Accounting and Management Information System. Contingent upon completion of the centralized investment system to allocate earnings, the investment pool system is scheduled for implementation during this fiscal year.

The investment pool system offers the following advantages to the departments and agencies:

1. Maximization of investment earnings due to centralization of the investment function and its impact over the length of maturity and the dollar size of each investment.
2. Investment of all funds within each appropriation account.
3. Elimination of the time-consuming burden of monitoring and forecasting cash requirements and taking investment action for each appropriation account.

#### Policy

Generally, all special fund appropriation accounts, with the exception of federal fund accounts, shall qualify for participation in the investment pool.

The following types of appropriation accounts shall not qualify as participants in the investment pool.

1. All general fund accounts.
2. All bond fund accounts. State agencies must take initiative to invest and track these funds due to Federal arbitrage regulations.
3. Trust fund accounts, unless the trust indenture or statutes require the account to earn interest.
4. Federal fund accounts, unless the Federal Government requires the account to earn interest. Federal fund accounts that are subject to the Cash Management Improvement Act (CMIA) are not eligible to participate in the pool.

With the exception of bond fund accounts, all appropriation accounts must participate in the investment pool to qualify for interest earnings. Departments or agencies may obtain an exemption from this requirement from the Director of Finance.

#### Participation Requirement

In order to successfully implement the system, appropriation accounts which qualify for participation in the investment pool must be identified. Accordingly, it is requested that departments and agencies identify appropriation accounts that qualify as participants in the investment pool. The list shall contain the following information (sample of listing attached):

First Column

Title or description of the appropriation account code.

Second Column

The account symbol of the participating appropriation account eligible for interest allocation:

- a. Fund code: One alpha character
- b. Year code: Two digit year code (Example: 99)
- c. Appropriation account code: Three digits
- d. Department code: One or two characters
- e. Division code (if any): One or two digits

Third Column

The account symbol of the appropriation account in which the investment earnings will be deposited. (Same format as second column.)

Please submit the list of appropriation accounts by November 30, 1998. The DB&F will review each of the listed accounts to determine its qualification to participate in the investment pool.

Your cooperation in this matter will be appreciated. Should you have further questions, please contact Mr. Stanley Tanaka Funds Custody Manager, at 586-3119.

Attachment

**APPROPRIATION ACCOUNTS  
PARTICIPATING IN INVESTMENT POOL**

**DEPARTMENT OF TRANSPORTATION  
HARBORS DIVISION**

DESCRIPTION OF ACCOUNT	ACCOUNT CODE	INTEREST ACCOUNT CODE
Harbors Special Fund	S-99-341-D-03	S-99-341-D-03
Honolulu Harbor	S-99-040-D-03	S-99-341-D-03
Harbors Administration	S-99-055-D-03	S-99-341-D-03
Harbors Interest Account, 1990 Certificate	S-99-346-D-03	S-99-341-D-03
Piers 36-38 Comm. Fish, Honolulu Harbor, Oahu-Con	S-98-605-D-03	S-99-341-D-03