

STAND. COM. REP. NO. 999

Honolulu, Hawaii

MAR 27 2009

RE: H.B. No. 1567
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committees on Economic Development and Technology and Health, to which was referred H.B. No. 1567, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO SKILLED NURSING FACILITIES,"

beg leave to report as follows:

The purpose of this measure is to encourage the establishment of health care facilities in underserved areas of the State by adding skilled nursing facilities to the businesses that may qualify for benefits under the State Enterprise Zones law.

Testimony in support of this measure was submitted by Avalon Health Care, Inc. Testimony in opposition of this measure was submitted by the Department of Taxation and the Department of Business, Economic Development, and Tourism. Written testimony presented to the Committees may be reviewed on the Legislature's website.

Your Committees find that this measure will help to provide the infrastructure needed for the continuum of care for the State's growing aging population by providing a general excise tax exemption for skilled nursing facilities operating within, or deemed to be operating within, a designated enterprise zone.

Your Committees received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in annual revenue losses to the State as follows:

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- (1) \$120,000 in fiscal year 2010;
- (2) \$320,000 in fiscal year 2011;
- (3) \$400,000 in fiscal year 2012;
- (4) \$480,000 in fiscal year 2013;
- (5) \$331,800 in fiscal year 2014; and
- (6) \$51,800 in fiscal year 2015.

The Department of Taxation's methodology is as follows:

The revenue estimate is based on construction of a new skilled nursing facility with 100 beds. Construction costs are estimated to be \$20,000,000, incurred over 4 years beginning in fiscal year 2010 (15 per cent the first year, 25 per cent in years 2 and 3, and 35 per cent in year 4). The estimates are based on payroll of \$35,000 per bed. Gross receipts are estimated at \$60,200 per bed, beginning in 2014. Unemployment insurance payments are assumed to be 2.5 per cent of salaries. Taxable income is assumed to equal 10 per cent of the gross income and to be subject to tax at a rate of 6.25 per cent. It is assumed two facilities will be built in the first and second year after this bill passes.

- (1) Fiscal year 2010, \$120,000 (1 st fac.);
- (2) Fiscal year 2011, \$200,000 (1 st fac.) + \$120,000 (2nd fac.) = \$320,000;
- (3) Fiscal year 2012, \$200,000 (1 st fac.) + \$200,000 (2nd fac.) = \$400,000;
- (4) Fiscal year 2013, \$280,000 (1st fac.) + \$200,000 (2nd fac.) = \$480,000;
- (5) Fiscal year 2014, \$51,800 (1 st fac.) + \$280,000 (2nd fac.) = \$331,800; and
- (6) Fiscal year 2015, \$51,800 (2nd fac.)

Your Committees have amended this measure by deleting its contents and replacing it with the contents of S.B. No. 1266,



which, beginning on January 1, 2010, will treat each skilled nursing facility located outside an enterprise zone as a qualified business operating within an enterprise zone if the skilled nursing facility begins operations as a new facility or expands existing operations.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Health that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1567, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1567, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Technology and
Health,



DAVID Y. IGE, Chair



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* HB 1567, HD2	Committee Referral: EDT/HTH, WAM	Date: 3-20-09
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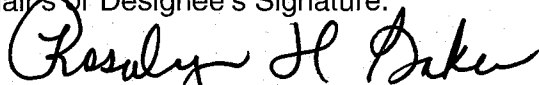
The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310	<input type="checkbox"/> Recommit 2313
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Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	4	—	—	1

Recommendation: Adopted Not Adopted


Chair's or Designee's Signature:


Distribution: Original Yellow Pink Goldenrod
 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes

The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Health
HTH

Bill / Resolution No.:*	Committee Referral:	Date:		
HR 1567 HD 2	EDT / HTH, WAM	03/20/09 03-16-09		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
GREEN, M.D., Josh (VC)	✓			
BAKER, Rosalyn H.	✓			
ESPERO, Will	✓			
NISHIHARA, Clarence K.	✓			
HEMMINGS, Fred				✓
TOTAL	5	0	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
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*Only one measure per Record of Votes