

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION
ON
HOUSE BILL NO. 2248

JANUARY 31, 2012

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
HAWAII PACIFIC UNIVERSITY

House Bill No. 2248 authorizes the issuance of special purpose revenue bonds to assist the Hawaii Pacific University, a private not-for-profit university, and one or more of its not-for-profit affiliates, in financing, refinancing, and reimbursing costs related to the planning, acquisition, and construction of its educational facilities, renovation of existing educational facilities, purchase of tangible assets, acquisition and installation of information technology, and other capital-related projects for the Hawaii Pacific University and any one or more of its not-for-profit affiliates pursuant to Part VIII, Chapter 39A, Hawaii Revised Statutes (HRS).

The Department has a technical comment on this bill. Under Section 39A-257, HRS, bonds may be issued for a single project, multiple projects, a single-project party, or multiple-project parties pursuant to the authority of one, or the combined authority of more than one, separate act of the legislature. We recommend adding the following section to the bill to allow Hawaii Pacific University, and one or more of its not-for-profit affiliates, additional flexibility to take advantage of economies of scale achievable by consolidating small bond issues into a single large transaction with potential multiple-project parties as provided under Section 39A-257, HRS:

SECTION _____ . The special purpose revenue bonds issued under this Act may be issued in one or more series for a single project, multiple projects, a single-project party, or multiple-project parties pursuant to the authority of this Act or the combined authority of this Act and any one or more other separate acts of the legislature pursuant to the part VIII, chapter 39A, Hawaii Revised Statutes, and the department of budget and finance may combine into a single issue of special purpose revenue bonds, in one more series, two or more proposed issues of special purpose revenue bonds to be issued pursuant to part VIII, chapter 39A, Hawaii Revised Statutes, separately authorized, in the total amount not to exceed the aggregate of the proposed separate issues of special purpose revenue bonds.

Thank you for the opportunity to provide testimony on this measure.

**Proposed Testimony for Special Purpose Revenue Bonds Hearing
(Revised January 30, 2012)**



House Committee on Higher Education

January 31, 2012 – 2 p.m.

H.B. 2248

Relating to the Issuance of Special Purpose Revenue Bonds for Hawaii Pacific University

Testimony in Support with Amendments

Chair Nishimoto, Vice Chair Nakashima and Members of the Committee, my name is Geoffrey Bannister, and I am President of Hawaii Pacific University (HPU). HPU is a private, non-profit university consisting of three campuses: Hawai'i Loa, Waimanalo and downtown Honolulu. We currently have more than 4,500 undergraduate and 1,200 graduate students, plus over 2,000 members of the military, and, I am proud to say, are one of the most culturally diverse universities in America with the state's largest nursing, MBA and military servicing programs.

I am here today to request authorization for Special Purpose Revenue Bonds for HPU in an amount not to exceed \$120 million. These funds will be used for the purpose of assisting HPU and/or one or more of its not-for-profit affiliates in the financing of costs related to the acquisition and/or construction of its education facilities, including the renovation of existing facilities, the potential purchase of land and other improvements, and funding for other capital related projects. HPU's funding needs are discussed in more detail below.

Since joining HPU last year, one of my top priorities has been to address the university's present and future needs for housing, classroom space and other facilities. The demands in all three areas are extensive and, if not resolved, will negatively affect both HPU's short and long term growth plans.

By way of example, the traditional definition of a residential university calls for the provision of student bed-spaces to meet 50% of the needs of the full-time undergraduate population. With some 4,500 undergraduates, HPU has a student housing need that vastly outpaces the current 200 spaces and the projected provision of 400 new spaces at the Hawai'i Loa campus. Additionally, HPU's housing analysis has shown conclusively that the vast bulk of student demand is for downtown housing. Thus, even with the current planned expansion at our Hawai'i Loa campus, in order to meet increasing needs, much,

much more must be done at our other locations, with particular emphasis on our downtown location, if HPU is to maintain its educational standard of excellence.

Through our proposed legislation, HPU seeks bonds that will allow the University to proceed confidently with its current and future expansion plans. The bond funding will greatly assist HPU, either directly or through its affiliates, in the acquisition and/or construction of new facilities for housing, classroom space, athletic facilities, as well as many other uses.

While some of the funding needs are well defined at this time (e.g., the Hawai'i Loa campus), others will quickly take shape as HPU aggressively explores the many different potential expansion/acquisition opportunities. With approval of H.B. 2248, HPU will be able to take the next big steps necessary to meet the needs of our students and to further secure our place as the largest private university in Hawai'i. Ultimately, HPU's current and future expansion plans will provide benefits that flow well beyond HPU's own classrooms, facilities and campuses - with new construction and jobs, increased sales, and a revitalization of our local communities and surrounding areas, the interests of businesses and state and local governments will all be favorably impacted.

We request that amendments be made to the bill to allow for maximum flexibility in financing and construction programs. Suggested language is attached.

Thank you for the opportunity to testify. I am available to answer any questions you may have.

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Amendments
Requested

1 Hawaii Pacific University and any one or more of its not-for-
 2 profit affiliates, including, without limitation, any costs that
 3 are necessarily or advisably incurred in order to provide such
 4 assistance or that are directly or indirectly related to any of
 5 the foregoing items. The legislature hereby finds and
 6 determines that the aforementioned activities and facilities
 7 constitute a project as defined in part VIII, chapter 39A,
 8 Hawaii Revised Statutes, and the financing thereof is assistance
 9 to a not-for-profit private nonsectarian university that serves
 10 the general public.

may be issued in one or more series for a single project or for multiple projects and

11 SECTION 3. The special purpose revenue bonds and the
 12 refunding special purpose revenue bonds issued under this Act
 13 shall be issued pursuant to part VIII, chapter 39A, Hawaii
 14 Revised Statutes, relating to the power to issue special purpose
 15 revenue bonds to assist not-for-profit private nonsectarian and
 16 sectarian elementary schools, secondary schools, colleges, and
 17 universities that serve the general public.

18 SECTION 4. The department of budget and finance is
 19 authorized, from time to time, including times subsequent to
 20 June 30, 2017, to issue special purpose revenue bonds in
 21 whatever principal amounts the department shall determine to be
 22 necessary to refund the special purpose revenue bonds authorized



1 in section 2 and to refund special purpose revenue bonds
 2 authorized in this section, regardless of whether the
 3 outstanding special purpose revenue bonds or refunding special
 4 purpose revenue bonds have matured or are the subject of
 5 redemption or whether the refunding special purpose revenue
 6 bonds shall be bonds for the ~~multi-project programs~~ ^{multiple projects} described in

7 section ~~2~~ ³. In making this determination, the department shall to the extent practicable,
 8 comply with federal law relating to the exemption from federal
 9 income taxation of the interest on bonds of the nature

10 authorized by this section. ^{Interest on bonds issued under this Act may be excluded from gross income} for federal income-tax purposes or interest on such bonds may be included
 11 in gross income for federal income-tax purposes.

11 SECTION 5. The authorization to issue special purpose
 12 revenue bonds under this Act shall lapse on June 30, 2017.

13 SECTION 6. This Act shall take effect on July 1, 2012.

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INTRODUCED BY: 



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