

# SB2525

Hawaii Pacific University;

SPRB

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TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON EDUCATION  
ON  
SENATE BILL NO. 2525

FEBRUARY 6, 2012

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

Senate Bill No. 2525 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.



Senate Committee on Education

February 6, 2012 – 1:35 p.m.

**S.B. 2525**

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

**Testimony in Support**

Chair Tokuda, Vice Chair Kidani 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 S.B. 2525, 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. Please see the attached suggested language.

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

Contact: Linda Chu Takayama, Attorney at Law

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**Amendments Requested**

THE SENATE  
TWENTY-SIXTH LEGISLATURE, 2012  
STATE OF HAWAII

S.B. NO. 2525

**A BILL FOR AN ACT**

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

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

For purposes of this Section 2, a limited liability company of which Hawaii Pacific University is ~~state~~ member shall be considered to be a not-for-profit affiliate of Hawaii Pacific

SECTION 1. The legislature finds and declares that the issuance of special purpose revenue bonds under this Act is in the public interest and for the public health, safety, and general welfare.

SECTION 2. Pursuant to part VIII, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in a total amount not to exceed \$120,000,000, in one or more series, for the purpose of assisting 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 (including student housing and athletic facilities), renovation of existing educational facilities, purchase of tangible assets (including land and improvements), acquisition and installation of information technology, and other capital-related projects for Hawaii Pacific University and any one or more of its not-for-profit affiliates, including, without limitation, any costs that are necessarily or advisably incurred in order to provide such assistance or that are directly or indirectly related to any of the foregoing items. The legislature hereby finds and determines that the aforementioned activities and facilities constitute a project as defined in part VIII, chapter 39A,

Hawaii Revised Statutes, and the financing thereof is assistance to a not-for-profit private nonsectarian university that serves the general public.

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

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

SECTION 4. The department of budget and finance is authorized, from time to time, including times subsequent to June 30, 2017, to issue special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 2 and to refund special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption or whether the refunding special purpose revenue bonds shall be bonds for the ~~multi-project programs~~ multiple projects

described in section ~~2~~<sup>3</sup>. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section.

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

SECTION 6. This Act shall take effect on July 1, 2012, to the extent practicable,

INTRODUCED BY: \_\_\_\_\_

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 in gross income for federal income-tax purposes.