

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 2939

FEBRUARY 10, 2012

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII

Senate Bill No. 2939 authorizes the issuance of special purpose revenue bonds to assist St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation, to finance the construction, improvement, and equipment of its healthcare facilities pursuant to Part II, Chapter 39A, Hawaii Revised Statutes.

The Department has a technical comment on this bill. We recommend adding the following language to the end of SECTION 4 of the bill to allow the St. Francis Healthcare System of Hawaii additional flexibility to issue refunding special purpose revenue bonds in one or more series, and to take advantage of economies of scale achievable by consolidating refundings of special purpose revenue bonds authorized by other acts of the legislature:

SECTION 4.Such refunding special purpose revenue bonds may be issued in one or more series for the refunding of the special purpose revenue bonds authorized in section 2 or this section and may be combined into a single issue of refunding special purpose revenue bonds, in one or more series, with refunding special purpose revenue bonds to be issued by the department to refund any other special purpose revenue bonds authorized by any one or more other separate acts of the legislature pursuant to part II, chapter 39A, Hawaii Revised Statutes."

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



SENATE COMMITTEE ON HEALTH
Senator Josh Green, M.D., Chair

Conference Room 229
February 10, 2012 at 1:30 p.m.

Supporting SB 2939: **Relating to the Issuance of Special Purpose Revenue Bonds to Assist St. Francis Healthcare System of Hawaii**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of SB 2939, which authorizes the issuance of special purpose revenue bonds (SPRBs) for St. Francis Healthcare System of Hawaii.

State law authorizes the Department of Budget and Finance to issue SPRBs for certain types of projects that benefit the community. These projects include health care facilities that are provided to the general public by not-for-profit corporations.

SPRBs are attractive to corporations because they reduce the cost of financing capital projects. At the same time, they are attractive to investors because the interest income derived from them is exempt from State taxes.

It should be noted that the issuance of SPRBs does not involve any appropriation or expenditure of State funds, and it does not affect the financial liability of the State. The bonds are backed by the revenue from the particular project funded by the non-profit corporation.

St. Francis Healthcare System is a nonprofit corporation that intends to use the SPRBs as a means of financing health care facilities. In providing financial support to St. Francis Healthcare System, this bill will improve access to health care for Hawaii's residents.

For the foregoing reasons, the Healthcare Association supports SB 2939.